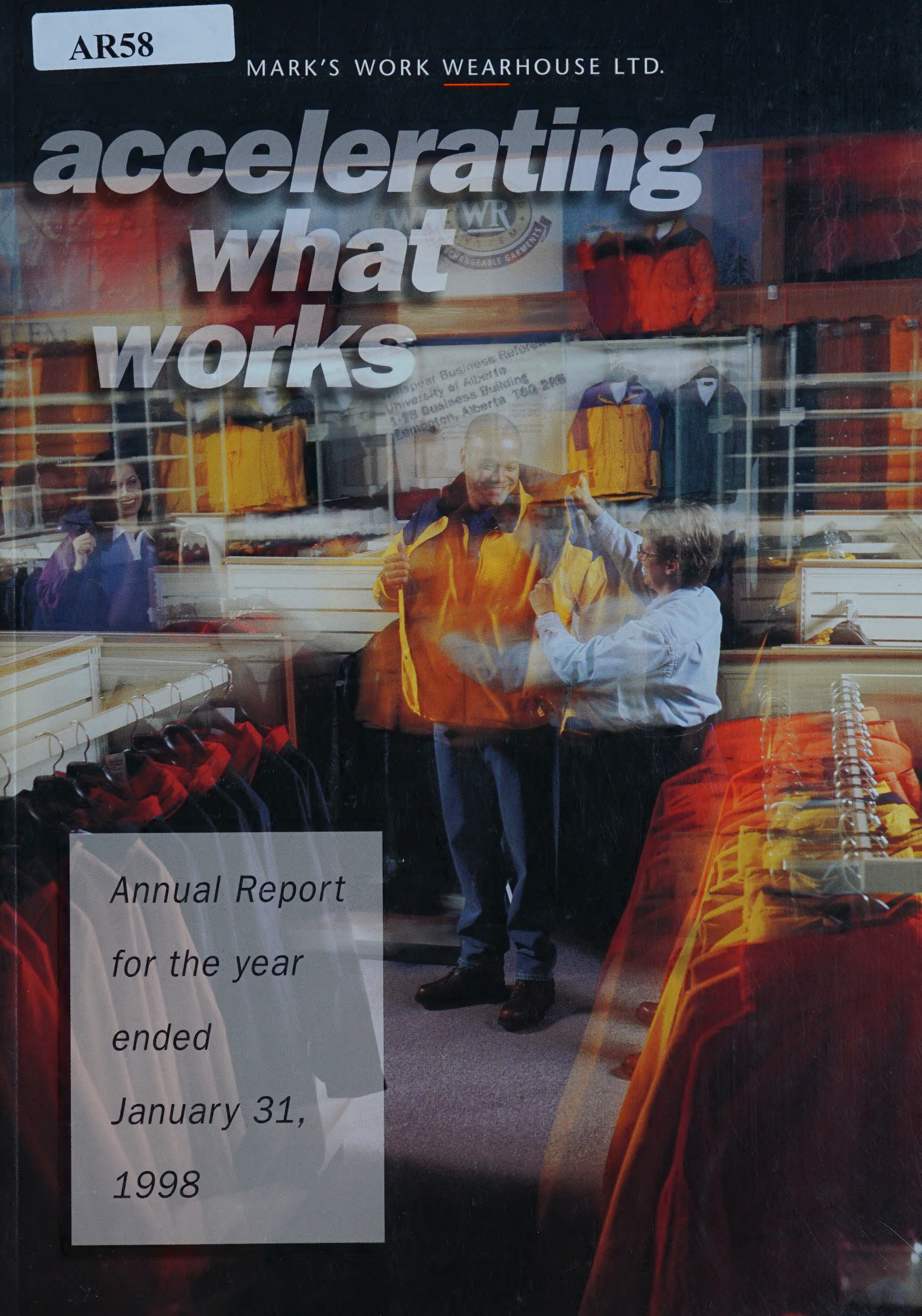


AR58

MARK'S WORK WEARHOUSE LTD.

accelerating what works



*Annual Report
for the year
ended
January 31,
1998*

accelerating what works

Mark's Work Wearhouse Ltd.

The theme of this year's annual report is "Accelerating What Works."

This past year, the Company accelerated its "Merchandise Sourcing", store "On Concept", and marketing strategies to produce a 67% increase in net earnings. However, we have yet to maximize the opportunities available to us. The theme acknowledges the gains we've made to date, as well as the investments for our future. To use a running analogy,

Shareholder Reporting *An important part of our culture is our belief in personal accountability for our actions.*

As with all companies, one of our principle reasons for being is to create shareholder value. Linked with that is being accountable for what we accomplish, and communication with our shareholders is one of the key elements of this accountability. Part of our framework for management and shareholder reporting is to produce and announce a forecast for the upcoming year. We disclose each year what we think we'll do the next year in all facets of the Company. Following

that disclosure, all of our quarterly and annual reporting is measured against what we publicly said we'd do. One of the key documents to this framework is this annual report but that's only one part of it. We also communicate with our shareholders directly as much as possible through our monthly sales press releases (another element that is not widely practiced in Canada) and our quarterly results press releases where we indicate how we're tracking against the forecast published in the annual report.

we are just now 'hitting stride'. What we hope to convey in this annual report is an accurate portrayal of the road we've been running and a good sense of where we are headed.

The financial information and comments in this report pertain to our two divisions: the Mark's Work Wearhouse division which consists of the corporate and franchise stores of Mark's Work Wearhouse and L'Équipeur (the Company's store name in Quebec); and, the Work World division, which are mostly franchise stores in smaller markets.

Over the past few months, Mark's Work Wearhouse Ltd. has been honored by the investment community for our communications with our shareholders. Our 1997 investor relations materials received three significant awards from the investment community: at the Financial Post Awards, we received both the Overall Award of Excellence as well as the Gold Medal in the merchandising category for our annual report; and, at the first Investor Relations Magazine awards, we won the Grand Prix for the best overall investor relations for a market cap under \$1 billion.

These awards constitute recognition from the investment community and from our shareholders that also indicate to us that they would like us to continue to report as we have been. We believe that these awards affirm that when it comes to shareholder reporting, we are on the right track.

More important than these awards is the feedback that we receive directly from our shareholders on the information that we provide them. The highlight of the past year in this regard was the resounding support we received from our shareholders during the unsolicited Dylex bid. Our shareholders overwhelmingly rejected the bid as inadequate based upon the public information we made available to everyone. What a strong signal of support from our shareholders that they believe in the information and are willing to 'bet' on our future based upon this information.

We will continue to give full disclosure on what we have accomplished and what our plans are for the future. The ultimate award for us is a shareholder who is delighted with their investment in Mark's Work Wearhouse.

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Consolidated Financial Highlights

Summary: Accelerating Results

This summary provides a brief overview of our Company's progress in fiscal '98.

This summary provides a brief overview of our Company's progress in fiscal '98. You will find a comprehensive review of operations and complete financial information in the balance of this Annual Report. The Company performed around the midpoint of its upgraded forecast range and above its original forecast range this past year, as it accelerated its performance and delivered a 67% increase in after-tax profit, the highest in its history.

Fiscal '98 Highlights

- The Company improved its gross margin rate from 38.0% to 40.5% and increased its gross margin dollars by \$18.1m or 21.6%.
- The 21 corporate store real estate projects (7 new, 14 expansions/refurbishments) completed this past year accounted for \$11.0m or 41.1% of MWW Canada's corporate store sales increase, exclusive of week 53.
- \$21.1m or 70.7% of the \$29.8m MWW Canadian corporate stores sales increase came during the Company's marketing campaigns.
- The Company's L'Équipeur stores have begun to break through in Quebec with a \$0.9m or a six-fold increase in net front-line contribution.
- During fiscal '98, MWW's Canadian corporate stores sales grew over the prior year by 13.6%, its pure men's apparel sales grew by 13.3% and its men's footwear sales grew by 11.9%. This compares to industry growth rates in calendar '97 over '96 of 7.2% in all retail stores, 3.1% in men's stores, 2.8% in the total men's apparel market and 0.3% in the men's footwear market.
- 91 of the 115 (79%) MWW corporate stores are now "On Concept".
- The Company was honored to have been the recipient of The Financial Post "Award of Excellence" and merchandising category Gold Medal award for its fiscal 1997 annual report and the Investor Relations magazine "Grand Prix" award for its calendar 1997 investor relations program.
- The Company, by keeping its shareholders well apprised of its progress, current value and future potential, was able to successfully use a "Just Say No" response to the unsolicited unsuccessful bid by Dylex for its outstanding shares.

Winspear Business Reference Room
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6

Consolidated Financial Highlights

Winst Univ 1-18 Edm	(all dollar amounts in thousands, except per share)	52 weeks ended January 29, 1994	52 weeks ended January 28, 1995	52 weeks ended January 27, 1996
Sales				
Total retail		\$220,055	\$247,768	\$262,575
Franchise		\$ 61,989	\$ 66,143	\$ 64,313
Corporate		\$158,066	\$181,625	\$198,262
Franchise operations pre-tax earnings (loss)		\$ (317)	\$ (419)	\$ (10)
Number of Retail stores				
Corporate		91	94	103
Franchise		43	42	38
		134	136	141
Pre-tax earnings		\$ 1,266	\$ 6,515	\$ 6,374
Net earnings		\$ 1,266	\$ 6,315	\$ 3,117
Net earnings per share		6¢	27¢	13¢
Weighted average number of shares outstanding (000's)		22,392	23,187	24,515
Shareholders' equity at end of period		\$ 20,745	\$ 28,922	\$ 32,154
Funds flow from operations		\$ 6,478	\$ 8,354	\$ 6,936
Current ratio		1.62/1	1.80/1	1.74/1
Average funded debt-to-equity		0.90/1	0.53/1	0.52/1
Rent, computer services and interest on long-term debt coverage		1.11	1.51	1.43
Return on average capital employed		14%	27%	24%
Return on average equity		7%	25%	10%
Same store sales increase		15%	14%	1%

* The forecast range set by the conservative and optimistic forecasts is based upon management's judgement and on assumptions outlined on. Accordingly, actual results achieved during the forecast period will inevitably vary from those forecast, and variations may be material.

** Includes only 2 months' sales from 150 Work World stores from December 1, 1996 forward in fiscal '97.

*** Includes 3 Work World corporate stores, in fiscal '98 and 8 corporate stores in fiscal '99.

52 weeks ended January 25, 1997	53 weeks ended January 31, 1998	Forecast Range*	
		52 weeks ended January 30, 1999 Conservative	Optimistic
\$ 303,756**	\$402,207	\$439,886	\$456,933
\$ 82,854	\$150,191	\$151,270	\$159,062
\$ 220,902	\$252,016	\$288,616	\$297,871
\$ 991	\$ (251)	\$ (139)	\$ 653
108	118***	132***	132***
183**	170	166	171
291	288	298	303
\$ 8,310	\$ 12,404	\$ 14,865	\$ 17,871
\$ 3,923	\$ 6,551	\$ 7,805	\$ 9,450
16¢	24¢	28¢	34¢
24,976	27,058	27,600	27,600
\$ 36,884	\$ 46,746	\$ 55,385	\$ 57,030
\$ 8,389	\$ 13,797	\$ 16,509	\$ 18,154
1.67/1	1.85/1	1.97/1	2.02/1
0.51/1	0.71/1	0.87/1	0.83/1
1.46	1.64	1.67	1.81
23%	26%	27%	31%
11%	16%	15%	18%
4%	8%	8%	12%

ne or all of which may prove incorrect.

Quarterly Financial Information

(dollar amounts in thousands, except per share)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
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Fiscal 1998

Corporate and franchise sales	\$65,024	\$76,740	\$100,261	\$160,182	\$402,207
Corporate sales	\$39,332	\$47,270	\$ 63,019	\$102,395	\$252,016
Pre-tax earnings (loss)	\$(2,433)	\$(2,004)	\$ 1,681	\$ 15,160	\$ 12,404
Net earnings (loss)	\$(1,516)	\$(1,212)	\$ 835	\$ 8,444	\$ 6,551
Earnings (loss) per common share	(6)¢	(4)¢	3¢	31¢	24¢

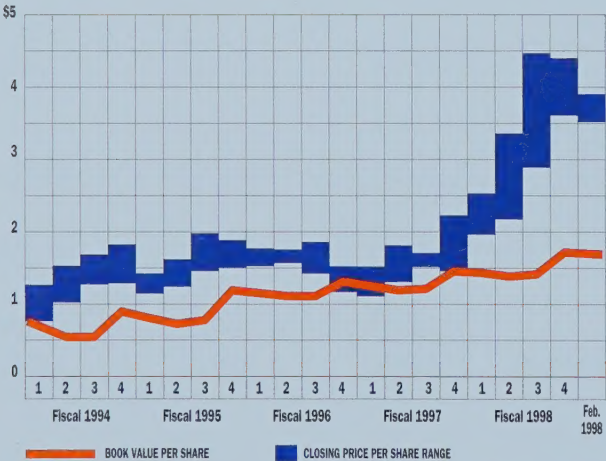
Fiscal 1997

Corporate and franchise sales	\$46,051	\$53,438	\$ 66,187	\$138,080	\$303,756
Corporate sales	\$35,932	\$41,915	\$ 51,683	\$ 91,372	\$220,902
Pre-tax earnings (loss)	\$(2,156)	\$(2,230)	\$ 303	\$ 12,393	\$ 8,310
Net earnings (loss)	\$(1,480)	\$(1,318)	\$ 8	\$ 6,713	\$ 3,923
Earnings (loss) per common share	(6)¢	(5)¢	0¢	27¢	16¢

Fiscal 1996

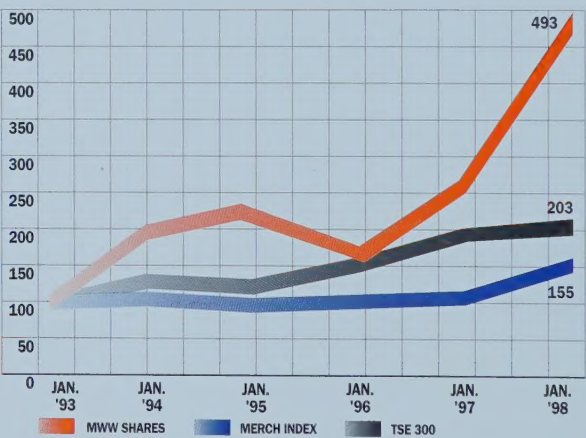
Corporate and franchise sales	\$43,233	\$49,911	\$ 61,937	\$107,494	\$262,575
Corporate sales	\$32,617	\$37,794	\$ 46,321	\$ 81,530	\$198,262
Pre-tax earnings (loss)	\$(1,268)	\$(1,742)	\$ 169	\$ 9,215	\$ 6,374
Net earnings (loss)	\$ (749)	\$(1,000)	\$ 44	\$ 4,822	\$ 3,117
Earnings (loss) per common share	(3)¢	(4)¢	0¢	20¢	13¢

Market Value by Quarter



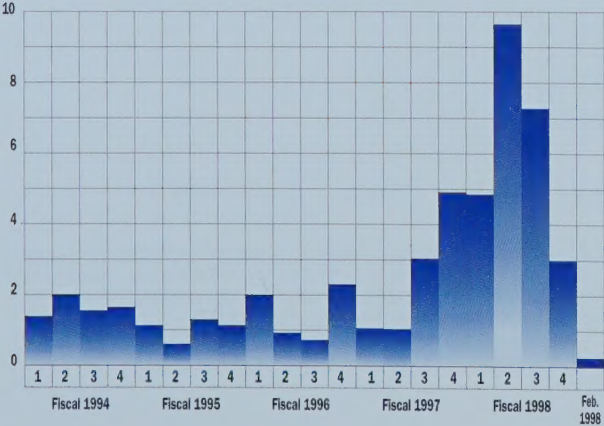
5-Year Share Performance

(Based on Base 100)



Volume of Shares Traded

(thousands)



Mission Statement Our mission is to grow consistently as a mature and stable enterprise known for:

- being the most customer-sensitive and responsive specialty retail organization in the markets within which we operate
- having a people-oriented work environment where our people are allowed the greatest possible freedom to carry out their responsibilities, take ownership of what they do, have fun, learn and earn fair financial rewards
- providing a superior financial return to investors as a result of being customer-driven and people-oriented

Organization: Increasing Our

Scope Our organization is divided into two operational areas: front-line and back-line operations. Front-line operations represent those activities where the Company's people come face-to-face with customers. **Front-line Operations** are conducted through geographic

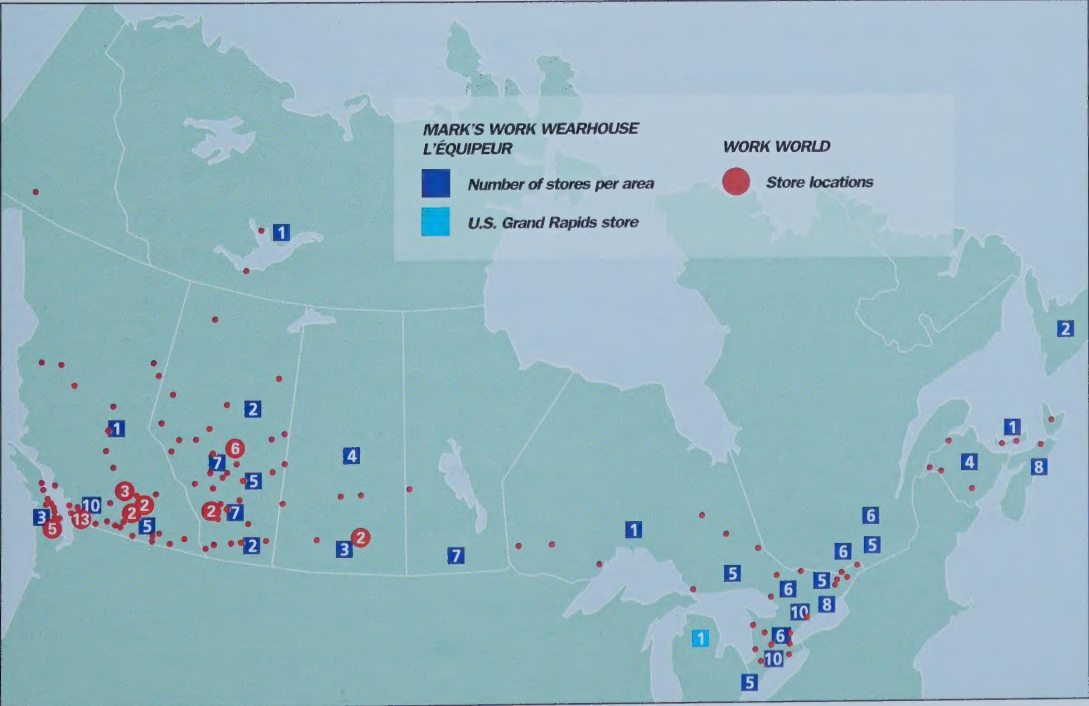
areas called districts which, in turn, form major regions. Creating these smaller operations places more of the Company's management in direct contact with our customers which enables the Company to be more sensitive and responsive to local market needs.

	Regions	Districts	Corporate Stores	Franchise Stores
Mark's Work Wearhouse	Western Canada	7	44	13
	Ontario	8	47	9
	Quebec/Atlantic*	5	23	9
	U.S. Pilot Store	1	1	—
	4	21	115	31
Work World	1	6	3	139
	TOTAL	5	27	170

* MWW's 14 corporate and 3 franchise stores in Quebec operate under the name L'Équipeur.

Back-line Operations are those that do not come face-to-face with customers but, which support our employees as they work in the stores. Back-line operations include the following departments:

- Customer Service & Human Resources
- Marketing & Operations Management
- Store Construction & Design
- Purchasing & Merchandise Management
- Warehouse/Distribution
- Systems
- Finance & Accounting
- Office of the President and C.E.O.



building capacity

Building Capacity: An Overview of our Business In the Mark's Work Warehouse and L'Équipeur stores, we are focused on providing apparel and footwear to customers who typically do not wear a suit and tie to work.

In addition, our merchandise is suitable for those customers who have needs for casual and outdoor clothing and footwear. Our assortments are a blend of quality name brand, private label, and captive label products, fairly priced, and presented in large, fully stocked, and easily shopped destination stores. In addition to serving our customers, our friendly staff have the technology and capability to enable them to play a significant role in determining and maintaining their own store's assortments, thereby better satisfying individual market requirements. Seventy percent of our customers are

between the ages of 25 and 60, with an equal blend of trades/blue collar, sales/administration/service, and professional vocations. Half of our sales are made to women, and of those purchases half again are made to women purchasing for themselves.

The Work World stores have very similar end use customers, but while the Mark's and L'Équipeur stores are typically large stores in destination locations in large markets, our Work World stores are smaller, located primarily in malls, and are typically in smaller markets. The merchandise content in each division has some similarities, with some national brand duplication, but each division has their own distinctive private label and marketing programs.

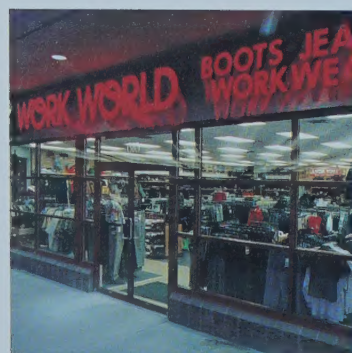
Our milestone year in fiscal '98 was the result of the implementation over the last few years of policies and practices

that have prepared us well for tomorrow. Continuous improvement is one of our three core values, and we believe that we have built a solid foundation from which we can continue to improve our business into the future. Our confidence about tomorrow is based on the following inherent strengths in our organization:

1. Modern Stores We believe that with all the choices that consumers have today, if a retail operation is going to have stores at all, they had better be great ones. Five years ago we liked three of our 136 MWW total system stores. Today we like 80% of our MWW total system stores. We have invested more than \$25 million over the last five years in store improvement projects, and as a result we have a terrific platform from which to run our business, for today and into the future.

2. Category Breadth, Dominance, and Sustainability While we are focused as a niche concept, MWW's sales are generated from a broadly based merchandise grouping of tops, bottoms, footwear, outerwear, and accessories. In addition, consumer demand for this merchandise is created more from a needs requirement than from a wants requirement. This makes our products more dependable over the longer term, and less subject to the short-term peaks and valleys created by fads. MWW also has power in the marketplace within some of our

categories. MWW is the #1 retailer in the country of work, safety, winter, and hiking footwear, the #2 retailer of men's outerwear, and the #1 retailer of primary industry workwear apparel. MWW's Denver Hayes pant is the second largest brand of casual pants in the country, and MWW is the fourth largest retailer of denim in Canada.



3. **Private Label Products** One of our beliefs about retailing today is that he who owns the brand makes the money. Although we feel it to be important to have some



national brands, MWW does 70% of its business in its own private and captive label products, where we have better control over our own destiny. This is an asset whose value does not appear on our balance sheet.

4. **Technological Competence and Merchandise Planning**

With an IBM AS 400 in every MWW store linked to a database that provides information on sales, inventory, and replenishment at the SKU level by store, gross margin reporting by main product line by store, as well as expenses by store and by back-line department, MWW

is technologically competent. In addition, MWW has developed what it believes to be the best merchandise planning system that exists for our type of products, and one that allows us to micro-market, maximize our sales, and minimize our markdowns. Taking risks on product investment is the essence of the retail business. Knowing how to make low risk decisions by putting the right merchandise in each market determines how successful you can be.

5. **Stakeholder Relationships** MWW has a high percentage of loyal customers and loyal suppliers, and both of these provide stability to our business. These customers shop at our stores an average of 7 times a year, and 2 out of 10 give us most of their clothing budget. On the supply side, 40 suppliers provide MWW with 80% of its products, and MWW has a long-term strategic relationship with the majority of them. We are also grateful for the support shown by our shareholders during the recent unsolicited take-over bid, and we are proud of the recognition that was given to us when we won two very prestigious awards in 1997 — The Best Annual Report in Canada and the Best Investor Relations in Canada. Our employee stakeholders

have demonstrated a great deal of pride in the Company, and in our culture and values. We rarely lose key personnel at any level to other retailers.



6. **Mega Trend**

Positioning The business of retailing in North America is changing. Although this is normal for our industry, what is different in today's environment is the rate of change. One of the evaluation factors we consider is how well MWW is positioned with the mega trends influencing the apparel decisions of the consumers MWW serves. We feel very good about our positioning with respect to the following issues:

- The population is aging. One of the by-products of this is more consumer emphasis on apparel products oriented towards comfort and leisure.
- Dressing more casually for business is a reality. Almost all new job creation in North America is occurring in service and technically-oriented companies where business casual dressing every day is the norm.
- Consumers have made the shift from conspicuous consumption to strategic consumption, resulting in a corresponding shift in defining value in apparel as the right blend of quality, function, style, price, and service.
- We live in an increasingly technical society, and demand ever more technical features in all the products we purchase — from our cars, skis, TV's, VCR's to even our coffee. In footwear and apparel, function and technical competence are our strengths.
- For many customers, the preferred places to shop are changing. There are increasing numbers of footsteps going to focused, dominant store formats in destination locations, be they power centers, power streets, or power strips.



Diane Francis, editor of *The Financial Post*, and Don Penny, chairman of the Canadian Institute of Chartered Accountants, present the Award of Excellence to Garth Mitchell, President and CEO, Mark's Work Wearhouse Ltd. (centre), at *The Financial Post* Annual Report Awards.

President's Letter to Shareholders:

Ahead of Schedule For the Company as a whole, fiscal '98 was

a memorable year: we celebrated our 20th anniversary and with the support of our shareholders, we successfully defended the Company from an unsolicited and inadequate take-over bid. Along the way we achieved the highest earnings in our history. Our efforts resulted in a 50% increase in our earnings per common share, and a doubling in value of our share price. In many ways, the past year's results have only begun to make visible the potential of our Company.

This year's annual report, with a theme of "Accelerating What Works", highlights the reasons for our successes in the past year, and also provides insights into our expectations, for exceeding, and not merely maintaining our current level of performance.

This anticipated growth, based on a solid platform of strengths, is forecast to accelerate our earnings much faster than our sector in particular and the economy overall.

As pleased as we are with our overall results, it is also fair to comment that our own internal expectations were higher. Our final numbers were becoming available to us at about the same time that we were all watching the performance of our athletes at the Olympics in Nagano and, emotionally, I felt that with our results we had won a Silver medal. Those were, I am sure, the same conflicting emotions that were felt by the members of our Women's Hockey Team and our Men's Curling Team — justifiable pride in what was accomplished but, at the same time, some disappointment that it was not as good as it might have been.

Each year, we plan our business aggressively and from the bottom up, in both sales and expenses. On the sales side, we delivered 98.6% of our plan with a 14% sales increase. When all was said and done, we had one month, November, when our sales in weather-related products were adversely affected by the influences of "El Niño". In total, the rest of the year was over-budget in sales. The highlight of our results in the Mark's Work Wearhouse stores was our gross margin rate which came in over plan and was the highest in our history. Continued gross margin rate improvement is an objective and currently we are ahead of schedule. We improve our rate with four specific strategies:

- improve purchase markup by shifting indirect import purchases to direct
- improve markdown management as a result of better quantification in the planning processes, and better execution of end of season clearances
- reduce freight and handling costs
- reduce shrink

In the past year, all of these strategies contributed towards improving the gross margin rate; in particular, the first two are tracking ahead of our five-year plan. Hats off to our Buying Group for an exceptional year!

On the expense side, the majority of our expense items were managed to plan or to rate based on our sales. However, we had some disappointments in that there were a few areas where we could have performed better; we have identified those areas for closer supervision in the current year.

We were also disappointed with the bottom line performance of our test store in Michigan, for which we had anticipated an improved performance this year. We did face up to the fact that our store was too big and not properly located in the market, and we set out to find a new location. At the time of writing, we have just re-opened at a new and improved location at half the size, and have sub-let our old space at a break-even rate. Charged to the past year's results are the costs associated with reducing our inventory levels to accommodate the smaller space, and the write-off of our investment in leaseholds in our first location.

Feedback from our American customers leads us to remain optimistic about our opportunity in the U.S., and we are continuing our retailer's version of research and development with our commitment to this project. Our expectation for the new location is that we will maintain our existing sales volume, with reduced expenses, reduced inventory investment, and improved margins, as we make some minor adjustments to our assortments.

Achievement of those results will yield a profitable store and therefore an ability to expand a formula that works.

In order to confirm our findings on assortments, we also plan to open one more store in a different U.S. market in the fall of 1998.

The Work World division also did not deliver the results that we had planned. In this case, our disappointment is somewhat lessened due to some deliberate actions that we took as the year was unfolding that front-end loaded some expenses and reduced revenue from plan in order to position the division better for the future. Specifically, we invested in label development and information systems programs and incurred relocation and separation expenses in moving the division's head office to Calgary. At the same time, we restricted our search for new franchisees until our prototype store and merchandise improvement programs were further developed. We are confident that these decisions will provide positive results in the future. We must also acknowledge that this division was hurt more by the effects of the

unseasonably warm weather in Western Canada in the fourth quarter, as most of the Work World stores are in B.C. and Alberta. At the moment, the Work World division is a year behind its five-year targets, but we believe it will catch up.



The real news is that our largest division had some terrific results. We finished the year with four Mark's Work Wearhouse stores generating sales over \$4 million, and 21 stores with sales over \$3 million.

In both cases, these are our best results ever. Inside some of the category businesses, our non-denim pant category was up 41% for the year, based on the continued development of our private label programs. Our casual outerwear category was up 35%, based again on private label products that were style correct and technically advanced. This is even more remarkable in a year in which the outerwear business was generally depressed across the country. We also made tremendous progress in our Quebec stores, and have upgraded our opportunity for expansion there from "possible" to "probable".

All of our growth in these areas, and in others, is based on a solid foundation of business programs, modern stores and planning mechanisms. Our game plan now is to capitalize on our current state of fitness by shifting into high gear and accelerating into the future. After a 50% increase in earnings per common share in the year just past, we will be up over 40% in the current year if we deliver our operating plans. The insights into how we plan to do this are presented on page 22 and 23 of this report. How optimistic are we? — At the time of writing, we are two months into the new year and total system sales are up 19% over last year.

A handwritten signature in dark ink that reads "Garth Mitchell". The signature is fluid and cursive, with a long horizontal line extending from the end of the name.

Garth Mitchell
President and Chief Executive Officer

"Sales in the Business Accounts Division

have grown by over 30%

in each of the past two

years, and we expect

a similar performance

in fiscal 1999."

**Mark's Work
Warehouse**

BUSINESS ACCOUNTS

CUSTOMER SERVICE

- CORPORATE WEAR
- INDUSTRIAL WEAR
- SERVICE UNIFORMS

The Business Accounts Division specializes in providing customized corporate apparel, uniforms, and footwear programs for many business environments including transportation, warehousing, oil and gas, landscaping, service contractors, and restaurants. The Business Accounts Division also specializes in providing corporate wear for events such as golf tournaments.

Our strength in this very competitive environment comes from our network of business account managers who work directly with business customers to set up unique apparel and footwear programs from our merchandise assortments. The employees of our business customers are then serviced through any one of our stores from coast to coast, ensuring proper fit and satisfaction, thereby eliminating the need for our customers to inventory and distribute their programs themselves.

**Maximizing Potential: Human
Resources Management
and Performance**

At Mark’s Work Wearhouse, we believe that growing the Company involves growing the skills of the individuals we employ and rewarding them for their contributions to our short-term and long-term objectives.

Our human resource practices, like all other areas of our operations, are based on our code of corporate conduct, and ensure that Mark’s Work Wearhouse conducts itself in a fair, honest and ethical manner.

The performance-based Human Resources Management system we have developed includes a number of elements that are designed to encourage individuals to set and meet personal objectives that fit within corporate results, as follows:

Performance Contracting

All of Mark’s Work Wearhouse’s middle and upper management are evaluated through a Performance Contracting process. Individual achievements in the following two areas are directly tied to managers’ current and future compensation:

■ **Business Objective**

Each year, all middle and upper managers negotiate and sign-off their own personal business objectives which are directly tied to the Company’s operating budgets. Individual performance is then measured based on meeting these personalized business objectives.

■ **Key Results**

Middle and upper management are also encouraged to exceed their individual business objectives.

On an annual basis, each manager negotiates up to three activities they will undertake that will both support and exceed their individual business objectives.

If the individual achieves their Key Results, they are rewarded for their success; however, they are not penalized for failing to achieve these benchmarks. We believe that these Key Results encourage our managers to “take a leap of faith” and reward excellence in individual effort.

College of Retail Excellence

In addition to encouraging our management team to reach their individual potential, we also have developed a system of internal training programs and external courses that will help all employees develop new skills and talents. The College of Retail Excellence fosters and supports employees as they learn to maximize their contributions to the Company by meeting the changing needs and expectations of our customers.

Employee Satisfaction

At Mark’s Work Wearhouse, we are committed to building partnerships with our employees that support our overall business strategy. By reinforcing our corporate culture and core values, we enable each employee to meet his or her maximum potential. By supporting self-reliance and self-development, we provide our employees with the opportunity to develop rewarding and challenging careers within a dynamic retail environment.

We believe that by fostering two-way communications with our employees, we are able to continually improve the relationships we have developed and meet the short and long-term needs of our employees, our customers and ultimately our shareholders.

Fiscal 1998

The courage and determination of our people has significantly contributed to the successes we realized during fiscal 1998. We have seen the systems and structures implemented in 1995 become fully functional and begin to produce results, and we now believe that we have furnished ourselves with the infrastructure, plans, skills and focus to move forward in fiscal 1999.

Our Human Resources highlights for fiscal 1998 include:

- developing recruiting practices designed to attract and retain the best people
- successfully transferring and applying key aspects of the Mark's Work Wearhouse corporate culture and human resources management practices to the Work World division
- administering and refining the Company's Performance Management systems
- designing and implementing a new service award program, including honoring our first 20-year employee

- producing services designed to reinforce our core value of continuous improvement
- continuing to deliver a library of courses through our College of Retail Excellence
- reinforcing our entrepreneurial environment through award and incentive programs
- reinforcing our line leadership roles with an appropriate balance of management structure and strong leadership support
- delivering a principle-centered leadership program from the Covey Leadership Centre to District Managers and other front and back-line management and staff

We are very excited about the future of Mark's Work Wearhouse. By attracting and retaining the best employees, continuing to learn as we grow, and striving for excellence in everything we do, the Company will continue to "raise the bar" and succeed in a highly competitive environment. We are proud of our accomplishments to date and are firmly focused on the future.

Unsung Heroes


Heroes, by definition, are people who are admired and distinguished for their noble deeds and traits. We have recognized many "Business Heroes" in this annual report, but within our Company we have many more. The past year was one in which our country had more than its normal share of natural disasters: floods in Manitoba, ice storms in Eastern Ontario, Quebec, and parts of the Maritimes, and fires that destroyed thousands of acres in Alberta.

As a Company, we are very proud to acknowledge the many people, known by name but even more by their deeds, who came to the assistance of so many in each of these afflicted areas.

When the flood waters rose in Manitoba, we donated gloves, boots and our energy to help. Our people drove to the front lines, handed out these items, stacked sand bags, dug ditches, worked all day and

stood ready at night to defend against this ominous giant that had consumed so much of the Manitoba countryside. When the ice storms hit in the East people were without power, water, and heat, and many other necessities that we take for granted. Our staff opened our stores and their homes to people in distress. They delivered warm clothing, footwear and generators, and helped wherever they could. In Alberta, many farmers lost their homes, their hay land, and in many cases, their livestock. Again, our people quietly rallied, donating clothing, hay, and whatever help they could, both personally and through our business.

Our core values speak to "respect", "integrity", and "continuous improvement"; however, people do much more than speak these valued words — they live them every day. Through their individual and team efforts these unsung heroes have contributed both to our business success and to the communities in which they live.

A photograph of two men in a warehouse or factory setting. The man on the left is wearing a light blue button-down shirt and dark trousers, and is holding a pair of light-colored trousers. The man on the right is wearing a plaid shirt and dark trousers, and is looking at the trousers the first man is holding. In the background, there are shelves filled with boxes and other items.

"Our casual pant category delivered a 41% sales increase in the past year, and is out-performing those numbers so far this year."

Denver
Hayes

Our casual pant business is done primarily in styles that we create ourselves within our own three labels of Mark's Work Wearhouse, Denver Hayes, and WindRiver, with the majority of the merchandise being made in Canada. This business was almost non-existent five years ago, and today our Denver Hayes Wrinkle Resistant pant is the single biggest selling style in the Company, and has vaulted the Denver Hayes label into the position of number two label in the country in terms of sales to Canadian consumers.

Senior Management Performance

Senior Officer	Business Objective Fiscal 1998	Fiscal 1998 Business Objective Result
Garth Mitchell President and CEO	To produce pre-tax profit of \$12.0m or greater	A pre-tax profit of \$12.4m was achieved
Michael Lambert CFO	To maintain a 12-month rolling funded debt-to-equity ratio below .75-to-1 while obtaining \$5.0m of new term debt, equity or capital lease financing	The 12-month rolling funded debt-to-equity ratio was .71-to-1 and \$5.5m of new term debt, equity or capital lease financing was obtained
Rick Harrison Sr. VP, Merchandising	To generate \$98.5m in gross margin dollars and an inventory turnover rate of 2.4 turns in the MWW Canadian retail operations	The Canadian retail operation's gross profit was \$101.3m and the inventory turnover rate was 2.2 turns
Paul Wilson Sr. VP, Sales and Marketing	To deliver sales of \$253.9m and a net front-line contribution of \$30.0m from the MWW Canadian retail operation	Canadian retail operation sales were \$249.3m and the net front-line contribution was \$32.7m
John Murphy Sr. VP, Treasurer & Secretary	To deliver total expenses for consolidated operations at the budgeted amount of \$95.7m or at the budgeted rate for variable expenses and the budgeted amount for fixed expenses; and, to deliver the total annual increase in cash and short-term investments at the budgeted amount of \$5.2m	Total expenses were \$97.3m and total cash and short-term investments decreased by \$11.4m
Dale Trybuch GM, Western Canada	To deliver a net front-line contribution of \$13.8m or better in MWW's Western Canada region	A net front-line contribution of \$13.7m was achieved
Jim Killin GM, Quebec/Atlantic	To deliver a net front-line contribution of \$4.2m or better in MWW's Quebec/Atlantic region	A net front-line contribution of \$3.6m was achieved
Michael Strachan GM, Ontario <small>Michael joined the Company in the Fall of 1997 when David Manuel transferred to the Purchasing Group</small>	To deliver a net front-line contribution of \$14.4m or better in MWW's Ontario region. (This business objective was signed off by the previous GM, Ontario and transferred to Michael when he joined the Company)	A net front-line contribution of \$15.5m was achieved
Colin Laker GM, Work World	To deliver \$100.0m in sales with an operating pre-tax profit of \$1.3m in the Work World division	Sales of \$88.5m and an operating pre-tax loss of \$0.5m were the result
Michel St. Jean VP, Store Design	To deliver new, relocated and refurbished stores at a gross cost of \$40/sf or less	Delivered 21 corporate stores at an average gross cost of \$38/sf
Linda Mathiesen VP, Human Resources and Customer Service	To improve MWW Canada's total sales dollars per full-time equivalent from \$241k in Fiscal '97 to \$254k in Fiscal '98	MWW Canada's sales dollars achieved was \$230k per full-time equivalent
Robin Lynas VP, Systems	To maintain and operate all Company computer systems and to develop and to deliver the projects agreed upon by the Systems Steering Committee within the department's operating budget of \$5.6m and capital expenditures budget of \$1.5m	All major systems projects were completed at a cost of \$5.1m and \$1.3m was spent on system capital expenditures

Business Objective Fiscal 1999	Fiscal 1999 Key Results and Fiscal 1998 Key Results Achieved
To produce pre-tax profit of \$17.9m or greater	<ul style="list-style-type: none"> ■ To increase share value to over \$6.00 per common share by March 1, 1999 ■ Two of two Fiscal 1998 Key Results were achieved
To ensure that total expenses for the MWW Canadian operations do not exceed the sum of \$20.3m of back-line expenses plus 28.8% of MWW Canada corporate stores sales for front-line expenses	<ul style="list-style-type: none"> ■ To reduce MWW Canada's total logistics costs to 2.5% of MWW Canadian Corporate store sales from fiscal 1998's 2.7% level ■ One of two fiscal '98 Key Results was achieved
To generate \$118.2m in gross margin dollars and an inventory turnover rate of 2.3 turns in the MWW Canadian retail operation	<ul style="list-style-type: none"> ■ To manage the Canadian retail operations to a closing inventory of \$105m at retail ■ To deliver a gross margin rate of 41% in the MWW Canadian retail operation ■ Three of three fiscal '98 Key Results were achieved
To deliver a net front-line contribution of \$38.8m from the MWW Canadian retail operation	<ul style="list-style-type: none"> ■ To manage front-line expenses to the budgeted expense rate ■ To establish a customer loyalty program and database in a test market ■ One of two fiscal '98 Key Results was achieved
To maintain a 12-month rolling funded debt-to-equity ratio below .90-to-1 while obtaining \$7.0m of new term debt, equity or capital lease financing	<ul style="list-style-type: none"> ■ To negotiate an operating line increase on renewal in Summer 1998 to meet current year funding requirements ■ To deliver \$1.1m of early payment discounts ■ To manage bad debts on Work World franchise receivables to \$500,000 or less ■ Three of three fiscal '98 Key Results were achieved
To deliver a net front-line contribution of \$16.5m or better in MWW's Western Canada region	<ul style="list-style-type: none"> ■ To increase business account sales in the Western Canada region from \$5.2m in fiscal '98 to \$7.0m in fiscal '99 ■ To improve the seven corporate stores in the Western Canada region that produce a negative front-line contribution to break-even or better in fiscal '99 ■ One of three fiscal '98 Key Results was achieved
To deliver a net front-line contribution of \$5.6m or better in MWW's Quebec/Atlantic region	<ul style="list-style-type: none"> ■ To manage the current U.S. pilot store and a second U.S. pilot store planned for an August '98 opening to a combined pre-tax loss of no more than \$0.6m compared to losses of \$1.2m in fiscal '98 and \$0.9m in fiscal '97 ■ One of three fiscal '98 Key Results was achieved
To deliver a net front-line contribution of \$16.7m or better in MWW's Ontario region	<ul style="list-style-type: none"> ■ To increase the front-line contribution in seven Ontario focus stores that were regressing by \$0.5m in fiscal '99 ■ To increase the total footwear sales in fiscal '99 in Ontario to \$24.0m up from \$20.3m in fiscal '98 ■ The two fiscal '98 Key Results for this region were not achieved
To deliver an operating pre-tax profit of \$0.7m or better in the Work World division	<ul style="list-style-type: none"> ■ To exceed \$100.0m in total system sales in the Work World division ■ To deliver a front-line contribution of \$0.5m or better from the Work World corporate stores operations ■ One of the three Fiscal '98 Key Results was achieved
To deliver new, relocated and refurbished stores at a gross cost of \$40/sf or less	<ul style="list-style-type: none"> ■ To deliver "On Concept" back wall graphic signage on a budget of \$0.4m for 39 stores ■ One of the two fiscal '98 Key Results was achieved
To improve MWW Canada's total sales dollars per full-time equivalent from \$230k in Fiscal '98 to \$243k in Fiscal '99	<ul style="list-style-type: none"> ■ To develop a program that defines our succession planning year over year, and into the future ■ To have one of the Company's core training courses available to employees through the Internet ■ Two of three Fiscal '98 Key Results were achieved
To maintain and operate all Company computer systems and to develop and to deliver the 16 projects agreed upon by the Systems Steering Committee within the department's operating budget of \$5.2m and capital expenditures budget of \$1.8m	<ul style="list-style-type: none"> ■ To have all Year 2000 system issues identified and resolved by the end of 1998 ■ One of one fiscal '98 Key Result was achieved

Corporate Goals The key drivers

behind the Company's business model which must be monitored to ensure success are:

- customer care
- market share
- sales per square foot
- gross margin rates
- front-line expense rates as a percent of sales and per square foot
- back-line expense rates as a percent of total system sales
- front-line contribution as a percent of sales by store, district, region and division
- franchise revenues as a percent of franchise sales
- the costs of franchise operations
- logistics costs and efficiency
- current ratio
- total liabilities to equity ratio
- average funded debt to equity ratio
- coverage of balance sheet and off-balance sheet liabilities and commitments.

In order to monitor these drivers, the Company has developed, and continues to refine, operational and financial goals.

Operational goals are key items that the Company monitors so that it can tell how it is progressing towards the achievement of its Strategic Plan and its Mission. Operational goals and other indicators also provide data that can be benchmarked against our competitors in the industry. The financial goals are set and monitored to ensure that while the Company is aggressively pursuing its Strategic Plan and its Mission, it is still being financed conservatively and is providing a superior return to its investors.

“Our total outerwear business was up over 22%

– not bad in a year

where El Niño caused

outerwear sales in

Canada to decrease

by over 10%.



*Flexibility
managing an ever
fluctuating climate.*

- 1. Outer Shell
- 2. Down Liner
- 3. Outer Shell

Our sales performance was led by our WindRiver Weather System, a product line that we developed specifically to combat the variable weather patterns typical of our Canadian experience. The ability to mix and match between outer shells, liners, and vests of different types and functions permits customers to meet their specific needs on a specific day.

Table of Operational Goals

	Fiscal 1996	Fiscal 1997	Fiscal 1998	Fiscal '99 Optimistic Forecast*	Fiscal 2002 Master Targets**
Goal 1 (MWW only)					
Sales per average retail sq.ft.					
Goal	\$255	\$255	\$260	\$270	\$286
Actual	\$268	\$249	\$253	\$270	N/A
Total retail sq.ft. of stores					
with sales greater than \$300 per sq. ft.	190,043	235,146	276,713	360,891	N/A
Number of stores with sales greater					
than \$300 per sq. ft.	28	31	35	44	N/A
Goal 2 (MWW only)					
Gross margin return on investment					
Goal (times)	1.5	1.5	1.8	1.9	2.3
Actual (times)	1.4	1.6	1.7	1.5	N/A
Goal 3					
Front-line contribution as a percent of					
corporate store sales district by district					
Goal	10.0%	10.0%	10.0%	11.2%	12.6%
Actual					
Western Canada	10.0%	11.3%	12.2%		
Ontario	11.7%	10.8%	13.1%		
Quebec/Atlantic	4.9%	0.5%	5.2%		
Total MWW Canada	9.9%	9.4%	11.5%		
MWW U.S.	(64.4%)	(52.8%)	(54.6%)		
Work World corporate stores	N/A	N/A	6.3%		
Consolidated	9.6%	8.9%	11.0%	11.2%	N/A
Goal 4					
Work World pre-tax income from franchise					
operations as a percent of franchise sales					
Goal	N/A	N/A	1.5%	1.0%	1.5%
Actual	N/A	N/A	(0.6%)	0.3%	N/A
Goal 5 (MWW franchises)					
Franchise royalties and other less franchise					
bad debts as a percent of franchise sales					
Goal	5.0%	5.0%	6.0%	6.3%	6.5%
Actual	5.7%	6.4%	6.5%	6.3%	N/A

N/A Not available or not applicable.

* The reader is cautioned that all of the forecast data is based upon management's judgement and on assumptions, outlined on page 22 some or all of which may prove incorrect. Accordingly, actual results achieved during the forecast period will inevitably vary from those forecast, and variations may be material.

** The master targets are based upon management's judgement and on assumptions, some or all of which may prove incorrect. Accordingly, actual results achieved in future years will inevitably vary from those forecast and variations may be material.

Table of Other Indicators ****

MWW Corporate Stores and Back-line Operations Only	Fiscal 1996	Fiscal 1997	Fiscal 1998	Fiscal '99 Optimistic Forecast*
Customer service				
Total front-line staff performance rating*****	N/A	N/A	87.9%	90.0%
All stores performance rating*****	N/A	N/A	81.1%	90.0%
Payroll management (number of staff at fiscal year end)				
Front-line staff – full time	338	343	390	406
Front-line staff – part time	1,159	1,357	1,501	1,640
Back-line staff – full time	122	111	145	155
Back-line staff – part time	38	15	16	18
	1,657	1,826**	2,052**	2,219**
Number of full-time equivalents	950	915	1,091	1,200
Sales dollars per full-time equivalent	\$ 209,000	\$ 241,000	\$ 230,000	\$ 244,000
Average sales per hour paid	\$ 136.17	\$ 152.33	\$ 143.27	\$ 153.48
Sales per one dollar of salary (excluding benefits)				
Selling	\$ 17.93	\$ 19.70	\$ 18.71	\$ 19.06
Total	\$ 9.20	\$ 8.88	\$ 8.72	\$ 9.01
% of front-line staff that is part time	77.4%	79.8%	79.4%	80.2%
% of total staff that is back-line	9.7%	6.9%	7.8%	7.8%
Management payroll				
Front-line management salaries	\$4,502,305	\$ 5,095,283	\$ 5,319,964	\$ 6,067,868
Back-line management salaries	\$3,918,344	\$ 4,070,380	\$ 4,323,374	\$ 4,650,737
Total management salaries (including benefits)	\$8,420,649	\$ 9,165,663	\$ 9,643,338	\$10,718,605
Total management bonus	\$ 369,267	\$ 1,525,629	\$ 2,026,159	\$ 2,200,000
Total management payroll	\$8,789,916	\$10,691,292	\$11,669,497	\$12,918,605
Total management payroll as a percentage of corporate sales	4.4%	4.8%	4.6%	4.4%
% of total management salaries – front-line	53.5%	55.6%	55.2%	56.6%
% of total compensation – bonus based	4.2%	14.3%	17.4%	17.0%
% of change of total management compensation	1.5%	21.6%	9.1%	10.7%
Advertising as a percentage of corporate store sales	4.0%	4.3%	5.0%	4.9%
Front-line occupancy costs as a percentage of corporate stores sales	8.0%	8.9%	8.7%	8.8%
Front-line occupancy costs per average retail sq. ft.	\$ 21.42	\$ 22.43	\$ 22.19	\$ 23.66***
Total retail sq. ft. at fiscal year end	814,977	927,972	1,032,594	1,142,769
Number of corporate stores “On Concept”				
Number	56	75	91	108
Percentage	54.4%	69.4%	79.1%	87.1%
Average dollar amount per transaction (Corporate Stores)	\$ 57.48	\$ 60.10	\$ 65.47	\$ 70.00
Corporate stores' market share of men's clothing stores markets	8.6%	10.2%	11.2%	N/A

N/A Not currently available

* The reader is cautioned that all of the forecast data is based upon management's judgement and on assumptions, outlined on page 22, some or all of which may prove incorrect. Accordingly, actual results achieved during the forecast period will inevitably vary from those forecast and variations may be material.

** Excludes Work World staff.

*** Includes estimate of cost increases for proposed changes to Ontario's property and business tax structure.

**** Certain prior year numbers have been restated to conform to current year presentation.

***** The Company engages an external organization to shop its stores on a regular basis and evaluate and report on the performance of its staff and stores.

Financial Goals Following is a report card assessing the performance of the Company against its seven financial goals:

■ **Goal 1** To earn a 2% after-tax profit on total corporate and franchise store sales.

(thousands of dollars, except percentage items)	Fiscal 1996	Fiscal 1997	Fiscal 1998	Fiscal '99 Forecast Range*	
				Conservative	Optimistic
Corporate and franchise store sales	262,575	303,756	402,207	439,886	456,933
Net income	3,117	3,923	6,551	7,805	9,450
After-tax profit return on total sales	1.2%	1.3%	1.6%	1.8%	2.1%

■ **Goal 2** To provide a return on capital employed in excess of 25% (20% prior to fiscal '98) and a return on average equity in excess of 15%.

(thousands of dollars, except per common share and percentage items)	Fiscal 1996	Fiscal 1997	Fiscal 1998	Fiscal '99 Forecast Range*	
				Conservative	Optimistic
Average capital employed	34,175	43,775	57,858	70,862	70,264
E.B.I.T.	8,046	10,159	14,736	19,136	22,017
Return on average capital employed	23.5%	23.2%	25.5%	27.0%	31.3%
Average equity	30,538	34,519	41,815	51,066	51,888
Return on average shareholders' equity	10.2%	11.4%	15.7%	15.3%	18.2%
Book value per common share	1.31	1.45	1.71	1.99	2.05

■ **Goal 3** To maintain a total liabilities-to-equity ratio of no greater than 1.75-to-1 at the Company's fiscal year end, and to have a 12-month rolling average total funded debt-to-equity ratio below 0.90-to-1 (0.75-to-1 prior to fiscal 1998 when there were no computer capital leases on the Company's balance sheet. See Note 6 to the Consolidated Financial Statements).

(thousands of dollars, except ratios)	Fiscal 1996	Fiscal 1997	Fiscal 1998	Fiscal '99 Forecast Range*	
				Conservative	Optimistic
Total liabilities	38,903	56,262	56,780	59,675	58,926
Equity	32,154	36,884	46,746	55,385	57,030
Total liabilities-to-equity ratio	1.21/1	1.53/1	1.21/1	1.08/1	1.03/1
Average funded debt-to-equity ratio	0.52/1	0.51/1	0.71/1	0.87/1	0.83/1

■ **Goal 4** To maintain a current ratio of not less than 1.50-to-1 at the Company's fiscal year end.

(thousands of dollars, except ratios)	Fiscal 1996	Fiscal 1997	Fiscal 1998	Fiscal '99 Forecast Range*	
				Conservative	Optimistic
Current assets	57,101	70,377	75,810	85,393	86,289
Current liabilities	32,769	42,154	41,059	43,419	42,670
Working capital	24,332	28,223	34,751	41,974	43,619
Current ratio	1.74/1	1.67/1	1.85/1	1.97/1	2.02/1

* The forecast range set by the conservative and optimistic forecasts is based upon management's judgement and on assumptions, outlined on page 22, some or all of which may prove incorrect. Accordingly, actual results achieved during the forecast period will inevitably vary from those forecast and variations may be material.

Goal 5 To restrict unfinanced capital expenditures to no more than the amount that results in at least a 1.1 times coverage for fiscal 1996 and prior years and thereafter a 1.30 times coverage (EBITD + amortization + rents + CAM – unfinanced capital expenditures) divided by (interest + rents + CAM + scheduled annual principal repayments of long-term debt).

(thousands of dollars, except times coverage)	Fiscal 1996	Fiscal 1997	Fiscal 1998	Fiscal '99 Forecast Range*	
				Conservative	Optimistic
EBITD & amortization & rents (including CAM)	24,347	30,934	40,194	49, 435	52,316
Capital expenditures	7,606	5,923	11,378	9,497	9,497
Financing of capital expenditures including					
Lease financing	1,371	3,509	10,435	6,149	6,149
Unfinanced capital expenditures	6,235	2,414	943	3,348	3,348
Interest & rents (including CAM) plus scheduled					
annual principal repayments of long-term debt	15,110	20,487	25,129	30,742	30,617
Times coverage	1.20	1.39	1.56	1.50	1.60

Goal 6 To maintain rent, computer services and interest on long-term debt coverage in the range of 1.50-to-1.75 times until fiscal 2000 and 1.75-to-2.00 thereafter.

(thousands of dollars, except times coverage)	Fiscal 1996	Fiscal 1997	Fiscal 1998	Fiscal '99 Forecast Range*	
				Conservative	Optimistic
Earnings from operations before income taxes, rent,					
Interest on long-term debt					
and computer services	21,067	26,406	31,818	37,020	40,026
Rent, interest on long-term debt					
and computer services	14,693	18,097	19,413	22,155	22,155
Times coverage	1.43	1.46	1.64	1.67	1.81

Goal 7 To achieve back-line costs excluding interest of less than 5% of total retail sales (corporate stores and franchise stores sales combined). This was a 6% test prior to fiscal '98.

(thousands of dollars, except percentage items)	Fiscal 1996	Fiscal 1997	Fiscal 1998	Fiscal '99 Forecast Range*	
				Conservative	Optimistic
Total retail sales	262,575	303,756	402,207	439,886	456,933
Back-line costs, excluding interest	16,585	15,768	21,301	21,790	22,404
Back-line costs as a percentage of					
total retail sales	6.3%	5.2%	5.3%	5.0%	4.9%

As of January 31, 1998, the Company is meeting two of its five operations goals and five of its seven financial goals.

* The forecast range set by the conservative and optimistic forecasts is based upon management’s judgement and on assumptions, outlined on page 22, some or all of which may prove incorrect. Accordingly, actual results achieved during the forecast period will inevitably vary from those forecast and variations may be material.

Strategic Plan: Increasing the Pace This year's annual report theme "Accelerating What Works" accurately describes our strategic plan update.

Our current strategic plan includes a good balance of reinvesting and improving upon proven formats and leveraging off our strengths for growth in many areas of the business in addition to exploratory initiatives to determine other growth areas to carry the Company past the turn of the century.

Firstly, we continue to improve and invest in our Mark's Work Wearhouse and L'Équipeur "On Concept" stores. We are seeing positive signs from our investment in Quebec and of our 18 new and renovated stores planned for 1998, 3 new stores and 2 renovated stores are being planned for Quebec. Also, within the Mark's Work Wearhouse division, we continue to expand our business account sales opportunity. The account sales

business historically has been less than 5% of our corporate store business and we feel it has the potential of eventually constituting over 10% of our corporate store business.

In the Work World Division, we have developed new merchandising programs and a new prototype store. Results of both the new merchandising programs and the prototype stores are very positive. We will continue to develop new merchandising programs and to open new stores.


Our exploratory test in the U.S. continues as we have moved from a 15,000 square foot store in Grand Rapids, Michigan, to a smaller 8,000 square foot store in the same market, but with neighbors who generate higher traffic. We are also seeking another U.S. market to test this new smaller concept store to confirm our findings on assortments in a completely new market.

Finally, we always remain on the lookout for new format or acquisition opportunities that can add value by leveraging off our strengths.

Master Targets (Excerpts from Strategic Plan)**

(dollar amounts in thousands except share price)		Actual January 1996	Actual January 1997	Actual January 1998	January 1999**	January 2000**	January 2001**
Owner							
MWW corporate and franchise sales	Paul Wilson	\$ 262,575	\$ 281,584	\$313,710	\$ 355,450	\$ 384,000	\$ 408,000
Work World franchise and corporate sales	Colin Laker	N/A	\$ 22,172*	\$ 88,497	\$ 101,483	\$ 121,000	\$ 142,000
# of MWW corporate stores	Paul Wilson	103	108	115	124	130	135
# of MWW franchise stores	Paul Wilson	38	33	31	30	27	25
# of Work World franchise stores	Colin Laker	N/A	150	139	141	151	161
# of Work World corporate stores	Colin Laker	N/A	N/A	3	8	8	8
Gross profit rate	Rick Harrison	37.1%	38.0%	40.5%	40.7%	41.0%	41.2%
MWW franchise royalties and other	Paul Wilson	\$ 4,266	\$ 4,019	\$ 4,096	\$ 4,106	\$ 4,200	\$ 4,300
Work World franchise royalties and other	Colin Laker	N/A	\$ 962*	\$ 3,508	\$ 4,579	\$ 5,700	\$ 6,600
MWW total payroll % of corporate sales	Mike Lambert	12.7%	12.5%	12.8%	12.3%	11.9%	11.6%
MWW advertising % of corporate sales	Paul Wilson	4.0%	4.3%	5.0%	4.5%	5.0%	5.0%
Total expenses % of corporate sales	John Murphy	36.0%	36.5%	38.6%	37.6%	37.6%	36.1%
Share price	Garth Mitchell	\$ 1.25	\$ 1.97	\$ 3.70	\$ 6.00	\$ 8.00	\$ 10.00
Average funded debt-to-equity	Mike Lambert	0.52/1	0.51/1	0.71/1	0.83/1	0.80/1	0.85/1
MWW year end inventory at retail	Rick Harrison	\$ 81,400	\$ 81,600	\$112,300	\$ 115,000	\$ 120,000	\$ 127,000
Capital expenditures	Michel St. Jean & Robin Lynas	\$ 7,606	\$ 5,923	\$ 11,378	\$ 9,497	\$ 9,000	\$ 10,500
MWW year end average store size	Michel St. Jean	7,912	8,592	8,979	9,216	9,308	9,422
Work World year end average store size	Colin Laker	N/A	2,267	2,707	2,764	2,779	2,792

N/A Not applicable or not available
 * Two months' activity only in fiscal '97.
 ** The master targets are based upon management's judgement and on assumptions, some or all of which may prove incorrect. Accordingly, actual results achieved in future years will inevitably vary from those forecast and variations may be material.



**"Footwear is our specialty, and in many ways
this category
represents our most
exciting business,
and the strongest
relationship we have
with our customers."**

Our footwear business is a combination of well-recognized national brands such as Sorel and Prospector and our own Dakota, WorkPro and WindRiver labels. As is appropriate for a market leader, our product development in this category is leading edge. We place our first emphasis upon the technical and functional aspects of our products, while simultaneously demanding style correctness. We are also important to Canadian consumers as the main source for cold weather footwear. The fastest growing part of this business is our casual footwear section.

Forecast: Earnings per common share, for the 52 weeks ending January 30, 1999, are forecast to be in the range of 28 to 34 cents per common share.

This forecast range represents, in management's judgement, the most likely set of conditions and the Company's most likely course of action. The reader is cautioned that some assumptions used while preparing our forecast range, although considered reasonable at the time of preparation, may prove to be incorrect. The actual results achieved during the forecast period will inevitably vary from the forecast range and variations may be material.

The Company completed this forecast range on April 2, 1998. The quarterly financial reports issued by the Company to its shareholders during the forecast year will contain either a statement that there are no significant changes to be made to the forecast range or an updated earnings per common share forecast range accompanied by explanations of significant changes. The reader is further cautioned that the fourth quarter of the year continues to produce approximately 40% of the Company's annual sales and the majority of its annual profits, and, as a consequence, the Company could report being within, above, or below the forecast range up to the end of the third quarter, and still have a material variation to report for the year once fourth quarter results become known.

Key Assumptions

(dollars in thousands, except sales per retail sq. ft.)

	Actual 53 weeks ended January 31, 1998	Forecast Range (unaudited) 52 weeks ended January 30, 1999	
		Conservative	Optimistic
Total sales increase – MWW corporate stores	13.6%	12.9%	16.6%
Total sales increase – MWW franchise stores	3.3%	0.1%	0.1%
Total sales – Work World franchise stores	\$87,495	\$88,483	\$96,275
Same store sales increase – MWW Canada corporate stores*	8.3%	8.3%	12.0%
Same store sales increase – MWW franchise stores*	6.5%	5.5%	5.5%
Number of new MWW Canadian corporate store openings	7	8	8
Sales from new MWW Canadian corporate store openings during year*	\$ 7,402	\$ 7,999	\$ 7,999
Number of MWW Canadian corporate store expansions, relocations, refurbishments and sales therefrom*	14	10	10
	\$32,188	\$23,580	\$23,580
Number of Canadian corporate store closings and sales therefrom	1	1	1
	\$ 299	\$ 60	\$ 60
Sales per average retail sq. ft. (MWW corporate stores)**	\$ 253	\$ 263	\$ 270
Number of MWW franchise stores at year end	31	30	30
Number of Work World franchise stores at year end	139	136	141
Number of MWW franchise stores converted to corporate and sales therefrom*	1	1	1
	\$ 607	\$ 2,256	\$ 2,256
Number of Work World franchise stores converted to corporate and sales therefrom	3	6	6
	\$ 1,002	\$ 3,894	\$ 3,894
Number of Work World franchise store openings	4	8	13
Number of MWW franchise store closings	1	Nil	Nil
Number of Work World franchise store closings	12	5	5
Gross margin rate	40.5%	40.6%	40.7%
Inventory turnover – MWW Canadian corporate stores	2.2	1.9	2.0
Capital expenditures***	\$11,378	\$ 9,497	\$ 9,497
Operating line – interest rates	5.6%	6.6%	6.6%
Long-term debt financing***	\$10,435	\$ 6,149	\$ 6,149
Front-line expenses as a percent of corporate store sales	29.5%	30.1%	29.4%
Back-line expenses including interest long-term as a percentage of total system sales	5.7%	5.4%	5.3%

* In fiscal January, 1998 excludes week 53.

** Calculated on stores open and at the same size for an entire season. The Company divides the year into two seasons. Spring – February through July; Fall – August through January.

*** Fiscal January, 1998 includes assumption of \$5.3m of computer capital leases. See Note 6 to the Consolidated Financial Statements.

Consolidated Statements of Earnings

(in thousands, except per common share)

	Actual 53 weeks ended January 31, 1998	Forecast Range (unaudited) 52 weeks ended January 30, 1999	
		Conservative	Optimistic
Total sales	\$402,207	\$439,886	\$456,933
Franchise sales	150,191	151,270	159,062
Corporate sales	252,016	288,616	297,871
Cost of sales	149,923	171,436	176,758
Gross margin	102,093	117,180	121,113
Front-line expenses	74,316	86,939	87,674
Front-line contribution	27,777	30,241	33,439
Franchise royalties and other	7,604	8,263	8,685
Net front-line contribution	35,381	38,504	42,124
Back-line expenses	22,977	23,639	24,253
Earnings before income taxes	12,404	14,865	17,871
Income taxes	5,853	7,060	8,421
Net earnings	\$ 6,551	\$ 7,805	\$ 9,450
Earnings per common share	24¢	28¢	34¢
Weighted average number of shares outstanding	27,058	27,600	27,600

Consolidated Balance Sheets

(in thousands)

Assets

Current assets

Cash and short-term investments	\$ 349	\$ —	\$ 639
Merchandise inventories	60,108	72,034	72,019
Other	15,353	13,359	13,631
	75,810	85,393	86,289

Other assets

Capital assets

Goodwill	7,195	6,984	6,984
	\$103,526	\$115,060	\$ 115,956

Liabilities

Current liabilities

Bank indebtedness	\$ —	\$ 2,840	\$ —
Other current liabilities	41,059	40,579	42,670
	41,059	43,419	42,670
Long-term debt	13,414	13,833	13,833
Deferred gain	1,060	1,260	1,260
Deferred income taxes	1,247	1,163	1,163
	56,780	59,675	58,926

Shareholders' equity

Capital stock	31,888	32,722	32,722
Retained earnings	14,858	22,663	24,308
	46,746	55,385	57,030
	\$103,526	\$115,060	\$115,956

Consolidated Statements of Cash Flows

(in thousands)

	Actual 53 weeks ended January 31, 1998	Forecast Range (unaudited) 52 weeks ended January 30, 1999	
		Conservative	Optimistic
Cash generated (deployed)			
Operations	\$ 13,797	\$ 16,509	\$18,154
Non-cash working capital	(20,085)	(12,108)	(10,274)
Investing	(12,033)	(9,497)	(9,497)
Financing	6,921	1,907	1,907
Net cash generated (deployed)	\$(11,400)	\$ (3,189)	\$ 290

Post Mortem on the Prior Year's

Forecast Range

Consolidated Statements of Earnings

In its January 25, 1997 annual report, the Company forecasted earnings per common share in the range of 17 cents to 22 cents for its January 31, 1998 fiscal year.

Then, because the Company was 4 cents per common share above its forecasted range at the end of August, as its gross margin rate was better than forecast, on September 11, 1997, the Company announced it was upgrading its forecasted earnings per common share range to a revised forecast range of 21 cents to 26 cents.

During the fiscal year ended January 31, 1998, the Company generated total corporate and franchise store sales of \$402.2m, \$11.8m below the revised optimistic end of the forecast range and \$3.6m above

the revised conservative end of the forecast range. Sales fell short of the top end of the forecast range almost entirely because of slow sales in cold weather-related commodities in Western Canada, caused by the unseasonably mild November and December. While sales were a little disappointing, the gross margin rate of 40.5% was simply outstanding, and resulted in the Company delivering \$102.1m gross profit dollars which was at the revised optimistic end of the forecast range. Expenses came in at \$1.0m over the revised optimistic end of the forecast, as the Company spent beyond the forecast range in marketing and store staff.

The net result of all of the above was that the Company was able to deliver \$12.4m in pre-tax income, a number \$0.5m above its original forecast range, and around the mid-point of its revised forecast range. The above was achieved while coping with an unseasonably mild winter in Western Canada and the costs and distractions of the unsuccessful unsolicited Dylex bid for the Company's shares.

(in thousands, except per common share)	53 weeks ended January 31, 1998 Actual	Original Forecast Range 53 weeks ended January 31, 1998		Revised Upgraded Forecast Range 53 weeks ended January 31, 1998	
		Conservative	Optimistic	Conservative	Optimistic
Corporate and Franchise store sales	\$402,207	\$405,109	\$420,440	\$398,639	\$413,970
Deduct:					
Franchise store sales – MWW	(62,696)	(62,241)	(64,703)	(62,241)	(64,703)
Franchise stores sales – Work World	(87,495)	(94,510)	(99,991)	(88,040)	(93,521)
Corporate store sales	252,016	248,358	255,746	248,358	255,746
Gross margin	102,093	96,295	99,153	99,246	102,189
Expenses	97,293	94,261	95,671	95,280	96,274
Franchise royalties and other	7,604	8,069	8,440	7,426	7,797
Pre-tax earnings	12,404	10,103	11,922	11,392	13,712
Income taxes	5,853	5,477	6,080	5,709	6,685
Net earnings	\$ 6,551	\$ 4,626	\$ 5,842	\$ 5,683	\$ 7,027
Earnings per common share	24¢	17¢	22¢	21¢	26¢

Consolidated Balance Sheets

The Company's current assets as at January 31, 1998, of \$75.8m, were within the range forecasted of \$75.5m to \$80.7m. However, the make-up of the current assets was significantly different than forecast, as inventories were \$10.8m higher than forecast and cash and short-term investments were \$11.4m lower than the conservative end of the forecast. This was primarily the result of the carry-over of non-fashion winter inventory, which was due to the mild winter in Western Canada. Capital assets at year end were \$1.1m higher than forecast as capital expenditures on real estate projects and systems were higher than originally forecasted.

Current liabilities at year end were \$1.6m below the conservative end of the forecast as the Company continued to be aggressive in the pursuit of early payment discounts. Long-term debt at year end came in within the range forecasted and capital stock was \$0.3m higher than forecast, due to the exercising of a few more stock options than had been forecasted. The Company's year end current ratio of 1.85-to-1 is slightly better than the forecasted range of 1.77-to-1 and 1.82-to-1. The Company's year end total liabilities-to-equity ratio came in at 1.21-to-1 better than the 1.30-to-1 and 1.35-to-1 forecasted.

**Consolidated Statements
of Cash Flows**

Net cash deployed during the year was \$11.4m compared to a forecasted cash to be generated in the range of \$0.0 to \$5.1m. This occurred because the higher than forecasted inventories and lower than forecasted payables resulted in a \$20.1m investment in non-cash working capital compared to the \$6.5m to \$7.8m range forecasted. Investing activities were also \$0.9m more than forecasted and financing activities were within the range forecasted.

Accelerating Value: Management's Discussion and Analysis

Consolidated Statements of Earnings

Sales

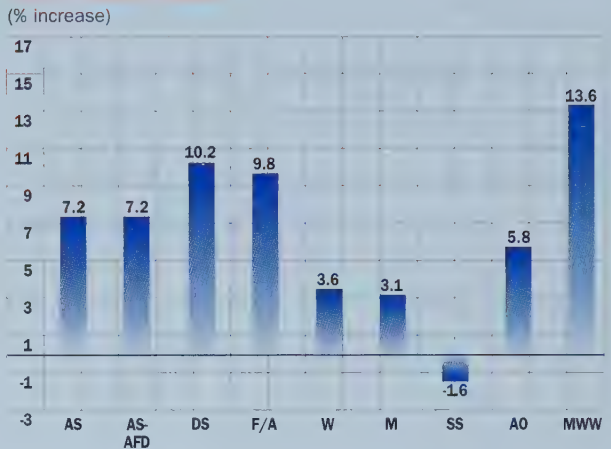
In a year where all retail stores showed a gain in retail sales of 7.2% compared to calendar 1996 (Stats Canada), the strongest retail growth year since 1988, the Company continued to outperform the industry in total, and its segment in particular with its continuing double digit sales increases. The Company's 14.1% consolidated corporate store sales growth (13.6% for MWW Canadian corporate stores) in fiscal '98 over fiscal '97 compares to Statistics Canada's analysis of retail sales growth in calendar 1997 over calendar 1996 as shown in Graph 1.

This kind of sales growth rate has been generated on a very consistent basis by the MWW Canadian corporate stores over the last six years as Graph 2 illustrates.

As a result of its 13.6% MWW Canadian corporate store sales growth in fiscal '98 over fiscal '97 (8.3% same store), on top of its 11.2% MWW Canadian corporate store sales growth in fiscal '97 over fiscal '96 (4.2% same store), MWW has increased its market share of the men's clothing store market to 11.2% (Source: MWW pure men's apparel Canadian corporate store sales divided by Statistics Canada men's clothing store sales number of \$1.6 billion). When we add the fiscal '98 MWW franchise store sales, the number becomes 14.1%. Then, the further addition of the Work World corporate and franchise store sales, makes the number 17.7%. (See Graph 3 — 5-Year Retail Market Share)

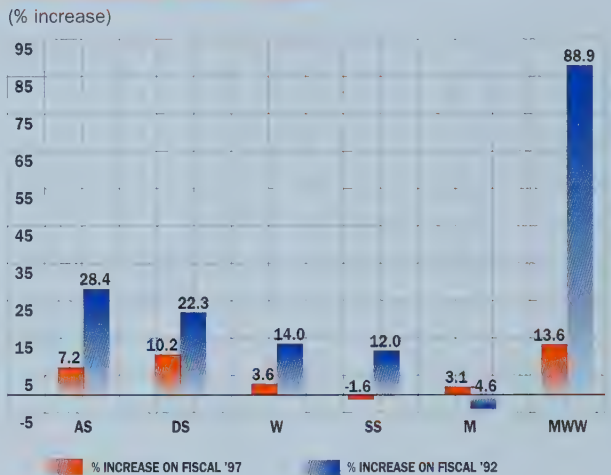
Major department stores, discount department stores and others also sell men's wear. While Statistics Canada does not compile that data, the Canadian Apparel Market Monitor (CAMM) data indicates that the total men's apparel market in Canada was \$4.2 billion in 1997. MWW's corporate and franchise pure men's apparel sales divided by that number results in a market share of 5.3% of the men's wear market and 6.7% when Work World pure men's apparel sales are added. (See Graph 3 — 5-Year Retail Market Share)

1997 Retail Sales



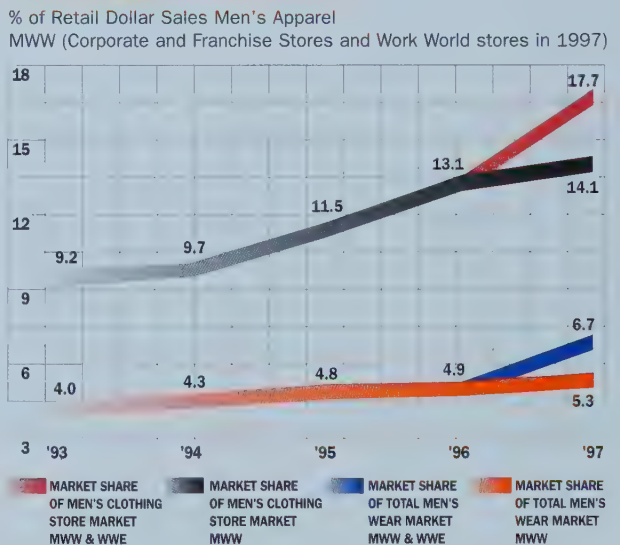
Graph 1 — Source: Statistics Canada for various store types

Merchandise Sector Sales



Graph 2 — Source: Statistics Canada

5-Year Retail Market Share



Graph 3

Graph Legend

AS = All Stores
AS-AFD = All Stores less auto, food and drug
DS = Department Stores (includes discount department stores)

SS = Shoe Stores
M = Men's Clothing
W = Women's Clothing
F/A = Furniture and Appliances
AO = All Others
MWW = MWW Canadian corporate stores

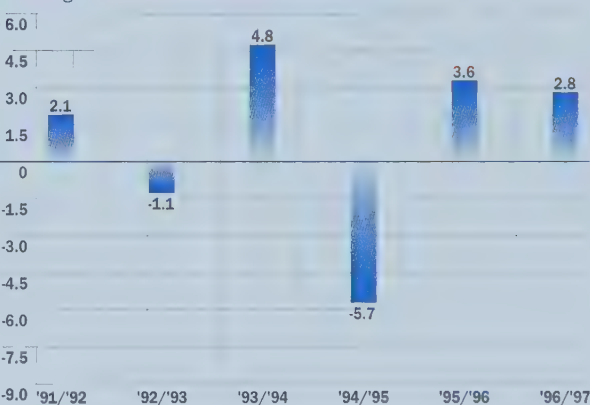
MWW (corporate and franchise stores combined) also increased its market share of the \$1.0 billion men's Canadian footwear market from 4.8% to 5.2% (Source: MWW corporate and franchise store men's footwear sales divided by FMI International's estimate of the Canadian men's footwear market). When we add the fiscal '98 corporate and franchise men's footwear store sales numbers for the Work World division, which was acquired on December 1, 1996, the number becomes 7.6%.

Thus, MWW has been, and continues to be, a leader in sales gains in the men's apparel and men's footwear sectors. MWW has managed to generate these sales increases year after year in what has been a soft men's apparel retail climate in the 1990's. (See Graph 4 — Total Canadian Apparel Market) MWW accomplished this by continuing to satisfy its loyal customers with an ever-improving merchandise offering and by continuing its two key strategies: getting its stores "On Concept" and improving its "Merchandise Sourcing". The following tables show to what extent corporate store sales increases in fiscal '98 over fiscal '97 were generated by MWW's "On Concept" real estate activity, marketing events and category exploitation. Within these numbers, it should also be noted that MWW grew its business account sales by \$3.4m or 32.6% to now reach \$14.0m of MWW's total corporate store business. The point is that sales growth

at MWW is planned and delivered from very specific strategies. The milder than normal winter across Canada as a result of "El Niño" did cause slower than planned sales growth in winter-related accessories, industrial outerwear and casual winter footwear but, thanks to the depth of MWW's merchandise assortments, other categories picked up most of the slack. To be more specific, because of improvements to the design and marketing of MWW's private label casual outerwear programs, year over year, Canadian corporate store sales in this category grew by 35.1% despite "El Niño". Also, by continuing to increase its product offerings in private label casual bottoms, MWW was able to increase its year-over-year Canadian corporate stores sales by 41.0% in this category. (See Corporate Store Sales by Category table on the next page.)

Men's Canadian Apparel Market

% Change in Retail Dollar Sales



Graph 4 — Source: CAMM

Corporate Store Sales Increases – Analysis by Real Estate Activity

	52 Weeks Ended January 25, 1997 (\$000's)	53 Weeks Ended January 31, 1998 (\$000's)	Increase/(Decrease)	
			(\$000's)	(%)
72 Unchanged stores	152,033	161,868	9,835	6.5
1 Store affected by a new store in existing market	1,872	1,792	(80)	(4.3)
13 Relocated, expanded and refurbished stores in fiscal '97	25,587	29,607	4,020	15.7
14 Relocated, expanded and refurbished stores in fiscal '98	28,639	32,188	3,549	12.4
100 Same store sales subtotal	208,131	225,455	17,324	8.3
7 New stores fiscal '98	0	7,402	7,402	N/A
3 New stores fiscal '97 going to full year	5,418	6,971	1,553	28.7
1 Repurchased franchise store in fiscal '98	0	607	607	N/A
3 Repurchased franchise stores in fiscal '97 going to full year	4,793	5,376	583	12.2
Closed store fiscal '98 (1 store)	656	299	(357)	(54.4)
Closed stores fiscal '97 (3 stores)	623	0	(623)	(100.0)
Other	(129)	(2)	127	98.4
114	219,492	246,108	26,616	12.1
— 53rd Week in fiscal '98	0	3,231	3,231	N/A
114	219,492	249,339	29,847	13.6
1 U.S. pilot store	1,410	1,675	265	18.8
3 Work World corporate stores	0	1,002	1,002	N/A
118	220,902	252,016	31,114	14.1

MWW Canada Corporate Store Sales Increases – Analysis by National Marketing Events*

	52 Weeks Ended January 25, 1997	53 Weeks Ended January 31, 1998	Increase/(Decrease)	
	(\$000's)	(\$000's)	(\$000's)	(%)
Anniversary Event and Spring Guide	17,309	19,372	2,063	11.9
May Event	11,922	13,001	1,079	9.1
Father's Day	11,795	13,237	1,442	12.2
August Event	18,947	22,282	3,335	17.6
September Product Guide	18,345	20,370	2,025	11.0
TV perception campaign and Outerwear Guide	20,065	23,363	3,298	16.4
October Event	17,912	22,135	4,223	23.6
Christmas	73,068	76,692	3,624	5.0
	189,363	210,452	21,089	11.1

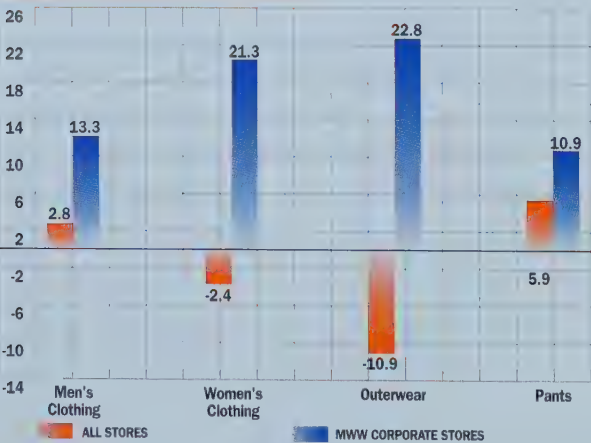
* In fiscal '98, there were 2 incremental marketing events over fiscal '97 – being the Spring Guide and the TV Perception Campaign.

Corporate Store Sales by Category

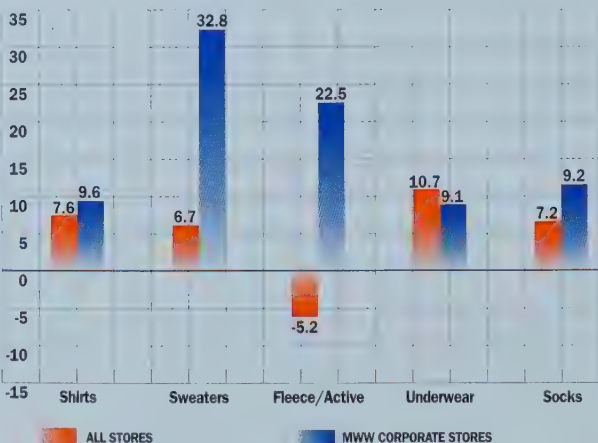
	52 Weeks Ended January 25, 1997		53 Weeks Ended January 31, 1998		% Increase (Decrease)
	(\$000's)	Blend %	(\$000's)	Blend %	
Work apparel	13,927	6.3	15,728	6.3	12.9
Men's tops	41,747	19.0	47,612	19.1	14.0
Men's jeans	36,045	16.4	36,674	14.7	1.7
Industrial footwear (1)	29,636	13.5	35,076	14.1	18.4
Accessories	33,109	15.1	35,761	14.3	8.0
Casual outerwear	17,597	8.0	23,778	9.6	35.1
Industrial outerwear	12,099	5.5	13,001	5.2	7.5
Men's casual bottoms	10,980	5.1	15,484	6.2	41.0
Casual footwear (1)	13,792	6.3	13,528	5.4	(1.9)
Ladies wear (2)	10,532	4.8	12,673	5.1	20.3
Other	28	—	24	—	(14.3)
	219,492	100.0	249,339	100.0	13.6
US pilot	1,410		1,675		18.8
Work World corporate stores	0		1,002		N/A
	220,902		252,016		14.1

- (1) MWW's corporate store footwear sales increased in total by 11.9% this past year compared to a year-over-year 0.6% increase in the total footwear market (FMI International). MWW's decline in casual footwear sales was all in winter footwear due to the mild winter, caused by "El Niño".
- (2) While MWW is a men's wear retailer, it grew its women's wear category 20.3% and its total ladies wear apparel SKUs by 21.3% this past year compared to a 2.4% decline in women's wear (CAMM).

1997 Percentage Increase in Apparel Sales over 1996

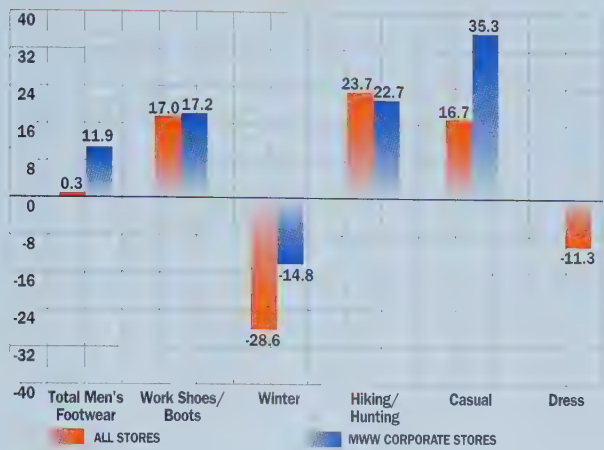


Graph 5 — Source: CAMM



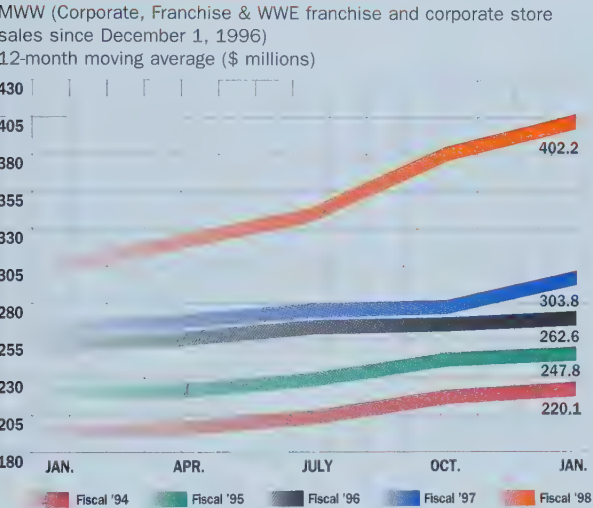
Graph 6 — Source: CAMM

1997 Percentage Increase in Footwear Sales over 1996



Graph 7 — Source: FMI

5-Year Sales to January 31, 1998



Graph 8

Graphs 5, 6 and 7 illustrate MWW sales growth in fiscal '98 over fiscal '97 compared to CAMM and FMI data for calendar '97 over '96 to further highlight the Company's performance against its industry and against specific commodities within its industry. Graph 8 illustrates the Company's sales growth over the last five years.

Gross Margin

The large improvement in the Company's gross margin rate from 38.0% in fiscal 1997 to 40.5% in fiscal 1998 was a major performance highlight for the Company in fiscal '98. This large improvement in gross margin rate was manufactured in conjunction with the 14.1% corporate store sales growth, a rarity in apparel retail, as one component usually comes at the expense of the other. As can be seen in the following table, the margin improvement was generated by improved purchase markup and better markdown management, while holding the line on shrink and freight costs.

Gross Margin Rate

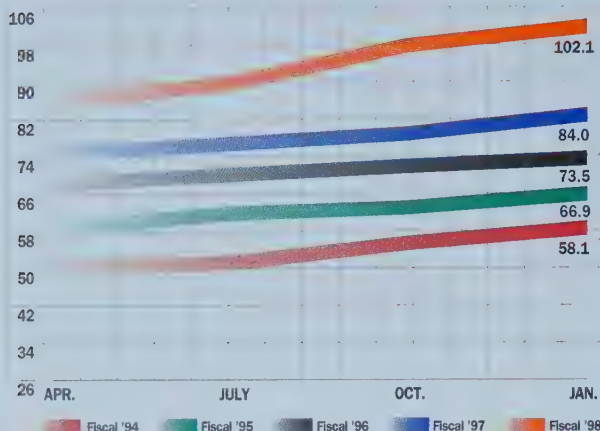
	Year Ended January 25, 1997	Year Ended January 31, 1998	Improvement
Purchase mark up	48.2%	49.9%	1.7%
Freight	(2.1%)	(2.1%)	0.0%
	46.1%	47.8%	1.7%
Markdowns and customer adjustments	(7.1%)	(6.2%)	0.9%
Shrink	(0.8%)	(0.7%)	0.1%
Other	(0.2%)	(0.4%)	(0.2%)
Gross margin	38.0%	40.5%	2.5%

The improvement in purchase markup was generated through better buying by converting some of the merchandise purchases from indirect import purchases to direct import purchases, and saving most of the costs and fees previously charged by importers. As well, some retail prices were increased after an in-depth review of competitive shops was completed. Markdowns improved as a result of better selection and quantification of fashion-sensitive commodities. Shrink costs remain below industry averages as a result of sound receiving and security processes and freight costs were maintained in the face of requested increases from key carriers by making alterations to the Company's freight model.

Of the \$18.1m or 21.6% increase in gross margin dollars in fiscal '98 over fiscal '97, \$11.8m or 65.2% is attributable to sales increases, and \$6.3m or 34.8% is attributable to the gross margin rate improvement.

5-Year Gross Margin Dollars to January 31, 1998

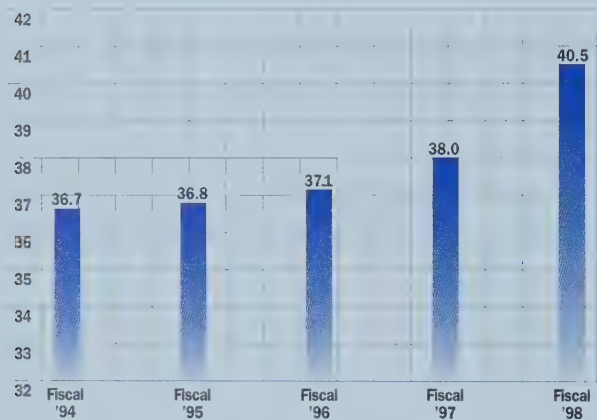
MWW Corporate stores and 3 WWE Corporate stores in fiscal '98 only 12 month moving average (\$ millions)



Graph 9

5-Year Gross Margin Rate to January 31, 1998

MWW Corporate stores and 3 WWE Corporate stores in fiscal '98 only (percentage of sales)



Graph 10

The performance of MWW's casual outerwear, industrial footwear, and tops categories, accounted for \$9.3m of the fiscal '98 gross margin dollar increase over fiscal '97. The purchase markup in MWW's corporate stores' end of year inventories also improved to 49.8% up from 48.6% at January 25, 1997 and 47.2% at January 27, 1996. The Company is planning specific activities so that it can continue to modestly improve its margin rate in fiscal '99.

Front-line Expenses

During fiscal '98, front-line expenses increased over the prior year by \$10.1m or 15.8%, and increased as a percentage of sales to 29.5% from 29.1%. Front-line expenses also increased as a cost per average retail sq. ft. to \$75.44 from \$73.58. The increase in staff, occupancy and other is directly attributable to the 111,223 total Company retail square feet added this past year (up 12.0% at year end and up 12.9% on a weighted average basis through the year) as stores continue to be brought "On Concept" as per the Company's Strategic Plan. Advertising costs increased as the Company added two incremental events in fiscal '98 over fiscal '97. The depreciation of the capital costs incurred for the construction of the "On Concept" stores accounts for most of the increase in depreciation costs. One significant improvement this past year was a decrease in MWW's short-term interest costs. This occurred due to a higher beginning of year cash position and increased long-term debt financing during the year which resulted in a lower average bank line usage during the year. As well MWW experienced lower interest rate costs in fiscal '98 compared to fiscal '97.

With 79% of the MWW's corporate stores now "On Concept" and with 72.0% of the 411,528 new or refurbished retail square feet added to MWW's corporate stores over the last 3 years starting to mature, the front-line expenses as a percentage of sales are expected to level off this coming year and decrease thereafter.

As per Note 1I to the Consolidated Financial Statements, pre-opening costs capitalized this past year out of front-line expenses were \$353,000 (\$787,000 the year prior); and \$665,000 was amortized as a current year expense (\$441,000 the year prior).

Front-line Expenses

	52 weeks Ended January 25, 1997			53 weeks Ended January 31, 1998			Increase/ (Decrease)	
	(\$000's)	% of Sales	Per Avg Retail SF (\$)	(\$000's)	% of Sales	Per Avg Retail SF (\$)	(\$000's)	%
Staff	20,049	9.1	22.98	23,508	9.3	23.87	3,459	17.3
Advertising	9,543	4.3	10.94	12,664	5.0	12.85	3,121	32.7
Occupancy	19,570	8.9	22.43	21,862	8.7	22.19	2,292	11.7
Other	10,050	4.6	11.52	10,902	4.3	11.07	852	8.5
Depreciation and amortization	3,811	1.7	4.36	4,724	1.9	4.80	913	23.9
Interest short term	1,176	0.5	1.35	656	0.3	0.66	(520)	(44.2)
	64,199	29.1	73.58	74,316	29.5	75.44	10,117	15.8

Franchise Operations

The following table summarizes the Company's assessment of the contribution it receives from its franchise activities:

	52 weeks Ended January 25, 1997	53 weeks Ended January 31, 1998	Increase/(Decrease)	
	(\$000's)	(\$000's)	(\$000's)	%
MWW franchise operations				
Franchise sales	60,682	62,696	2,014	3.3
Franchise royalties	3,956	4,054	98	2.5
Other income	63	42	(21)	(33.3)
	4,019	4,096	77	1.9
Expenses:				
Bad debt provisions (recovery) on franchise receivables	142	(7)	(149)	(104.9)
Estimate of franchise operations share of front-line costs	110	110	0	0.0
Estimate of franchise operations share of back-line costs*	3,187	3,036	(151)	(4.7)
	3,439	3,139	(300)	(8.7)
Contribution by MWW franchises	580	957	377	65.0
Work World franchise operations from December 1, 1996 onward				
Franchise sales	22,172	87,495	65,323	N/A
Franchise royalties	832	3,281	2,449	
Fees from sales of franchises	—	79	79	
Other income	130	148	18	
	962	3,508	2,546	N/A
Expenses:				
Bad debt provisions on franchise receivables	18	467	449	
Severance and relocation costs	0	435	435	
Front-line costs	89	0	(89)	
Back-line costs	349	3,193	2,844	
Other	0	(99)	(99)	
	456	3,996	3,540	N/A
Contribution by WWE franchise operations before acquisition costs**	506	(488)	(994)	N/A
Other expenses:				
Acquisition financing costs	60	509	449	
Goodwill amortization	35	211	176	
	95	720	625	N/A
Contribution by Work World franchises**	411	(1,208)	(1,619)	N/A
Total franchise operations	991	(251)	(1,242)	(125.3)

N/A Not applicable as comparing different time periods.
* Allocation based on MWW franchise sales as a percent of total MWW system sales applied to MWW back-line costs excluding those costs deemed not applicable to franchise operations.
** Excludes \$36,000 negative contribution from three Work World corporate stores in fiscal '98 and fiscal '97 numbers are only from the December 1, 1996 acquisition date forward.

During fiscal '98, the MWW franchise operations posted a sales increase of \$2.0m or 3.3% with fewer stores operating than the prior year (see table below). Same store sales, excluding week 53 in fiscal '98, were up \$3.7m or 6.5%. In fiscal '98, the contribution to MWW by the MWW franchises improved by \$377,000 or 65.0% primarily as a result of lower bad debts, modest royalty increases and a decrease in the allocation of back-line costs as the MWW franchises continue to become a smaller part of the MWW operation; 19.9% of the combined sales of MWW corporate and franchise store sales. This stable operation is expected to shrink a little each year, with one or two franchisees selling their stores back to the Corporation.

Fiscal '98 was a transition year for the Work World franchise operations. Significant dollars and time were invested to put a merchandising group together for the operation and in relocating their headquarters from Surrey, British Columbia to Calgary. Consequently, this operation lost \$488,000 before acquisition financing

costs and goodwill amortization in fiscal '98 of which \$435,000 consisted of severance and relocation costs. In fiscal '99, the introduction of new merchandise programs for approximately 20% of the franchisees' annual purchases and sales is expected to take hold, improve franchise sales, and make this operation a positive contributor to the organization. The tables below and tables elsewhere in this report indicate that the Company is operating a small number of Work World corporate stores. At this time, the Company does not have a "Corporate store strategy" for the Work World operations. A small number of Work World franchise stores have become corporate stores because some existing franchisees wished to exit their businesses and the Company's Work World division wished to maintain a presence in those markets. Over time, the Company will assess whether to re-franchise these stores or to operate them, and others, as corporate stores.

The following tables show the change in the number of franchise stores during fiscal '98 and fiscal '97:

	52 weeks ended January 25, 1997	53 weeks ended January 31, 1998
MWW franchise stores		
Number of stores at beginning of year	38	33
Number of stores closed	(2)	(1)
Number of stores repurchased as corporate stores	(3)	(1)
Number of stores at end of year	33	31*
	52 weeks ended January 25, 1997	53 weeks ended January 31, 1998
WWE franchise stores		
Number of stores at beginning of year	0	150
Number of stores acquired December 1, 1997	157	0
Number of stores closed	(7)	(12)
Number of stores repurchased as corporate stores	0	(3)
Number of new stores opened	0	4
Number of stores at end of year	150	139**
Total franchise stores	183	170

* One MWW franchise store was repurchased as a corporate store in the first month of fiscal '99.

** Excludes 3 corporate Work World stores at January 31, 1998. A further 5 Work World stores were converted to corporate stores in the first 2 months of fiscal '99 and 1 was closed.

Back-line Expenses

During fiscal '98, certain events occurred, which makes the year over year comparison of back-line expenses difficult. Firstly, MWW terminated its computer operations and outsourcing arrangements with ISM resulting in the transfer of costs in fiscal '98 from computer services to depreciation and amortization, and to interest – long-term, as computer capital leases were set up on the Company's books. See Note 6 to the Consolidated Financial Statements. Secondly, the Work World costs are now in for a full year compared to only two months in the year prior. The following table provides the appropriated breakouts in order to properly analyze the year over year changes in back-line expenses.

The table indicates that MWW back-line expenses increased by \$2.2m or 13.6% in fiscal '98 over fiscal '97 but are a similar percentage of MWW corporate store sales and MWW corporate and franchise stores sales combined, in both years. The increases occurred in staff, occupancy, security, samples and label development, staff clothing allowances, overseas travel, relocation costs and of course, \$416,000 of costs with respect to the unsolicited Dylex bid for MWW shares. Computer services costs in total declined.

Work World back-line expenses increased by \$4.4m as that operation went from a two-month to a twelve-month operation. Within the Work World expenses are \$435,000 of severance and relocation costs, \$509,000 of acquisition loan interest and \$211,000 of goodwill amortization.

Back-line Expenses

	52 weeks Ended January 25, 1997			53 weeks Ended January 31, 1998			Increase/ (Decrease)	
	(\$000's)	% of Corp Sales*	% of Corp & Franc Sales*	(\$000's)	% of Corp Sales*	% of Corp & Franc Sales*	(\$000's)	%
MWW								
Staff	7,497	3.4	2.7	8,766	3.5	2.8	1,269	16.9
Occupancy	833	0.4	0.3	950	0.4	0.3	117	14.0
Other	2,204	1.0	0.8	3,412	1.4	1.1	1,208	54.8
Computer services								
Services	3,406	1.5	1.2	883	0.4	0.3	(2,523)	(74.1)
Depreciation & amortization	0	0.0	0.0	1,485	0.6	0.5	1,485	N/A
Interest – long term	0	0.0	0.0	540	0.2	0.1	540	N/A
Software development & maintenance costs	727	0.3	0.3	622	0.2	0.2	(105)	(14.4)
Depreciation & amortization	570	0.3	0.2	596	0.2	0.2	26	4.6
Interest – long term	602	0.3	0.2	499	0.2	0.2	(103)	(17.1)
	15,839	7.2	5.7	17,753	7.1	5.7	1,914	12.1
Costs related to the unsuccessful and unsolicited bid for the Company's Common Shares	0	0.0	0.0	416	0.1	0.1	416	N/A
	15,839	7.2	5.7	18,169	7.2	5.8	2,330	14.7
Franchise bad debt provisions	142	0.0	0.0	(7)	0.0	0.0	(149)	(104.9)
Total MWW back-line expenses	15,981	7.2	5.7	18,162	7.2	5.8	2,181	13.6
Work World**								
Staff	205		0.9	1,448		1.7	1,243	
Occupancy	2		0.0	28		0.0	26	
Other	122		0.6	1,254		1.4	1,132	
Computer Services	0		0.0	63		0.1	63	
Software development & maintenance costs	0		0.0	193		0.2	193	
Depreciation & amortization	42		0.2	290		0.3	248	
Interest – long term	71		0.3	637		0.7	566	
	442		2.0	3,913		4.4	3,471	
Severance and relocation costs	0		0.0	435		0.5	435	
	442		2.0	4,348		4.9	3,906	
Franchise bad debt provisions	18		0.1	467		0.5	449	
Total Work World back-line expenses	460		2.1	4,815		5.4	4,355	N/A
Consolidated back-line expenses	16,441		5.4	22,977		5.7	6,536	39.8**

N/A Not applicable for MWW. In the case of Work World not calculated as fiscal '97, data is for two months only.

* Percentage of sales calculations are of MWW corporate store sales and MWW corporate and franchise sales for MWW back-line expenses, of WWE franchise stores sales for WWE back-line expenses and of total system sales for the total.

** Work World back-line expenses in fiscal '97 are for two months only.

Pre-Tax Earnings and After-Tax Earnings

The combination of the \$18.1m increase in gross margin dollars, \$10.1m increase in front-line expenses, \$2.6m increase in franchise royalties and other, and \$6.5m increase in back-line expenses, produced pre-tax earnings in fiscal '98 of \$12.4m, some \$4.1m or 49.3%

above the prior year. The pre-tax amount by operation is outlined in the table below.

The pure MWW Canadian operations posted a year-over-year growth in pre-tax earnings of 69.1% as its "Merchandise Sourcing" and store "On Concept" strategies accelerated.

Consolidated Pre-Tax Earnings

	52 weeks Ended January 25, 1997 (\$000's)	53 weeks Ended January 31, 1998 (\$000's)	Increase/(Decrease) (\$000's) %	
MWW Canada				
Canadian operations	8,792	14,868	6,076	69.1
U.S. branch*	—	(1,100)	(1,100)	
WWE acquisition financing**	(60)	(509)	(449)	
WWE goodwill amortization**	(35)	(211)	(176)	
	8,697	13,048	4,351	50.0
WWE Canada**	506	(524)	(1,030)	
MWW U.S. entity*	(893)	(120)	773	
Consolidated pre-tax income	8,310	12,404	4,094	49.3

* Operations of the U.S. subsidiary were converted to a branch operation of MWW Canada on March 29, 1997. See Note 11 to the Consolidated Financial Statements.

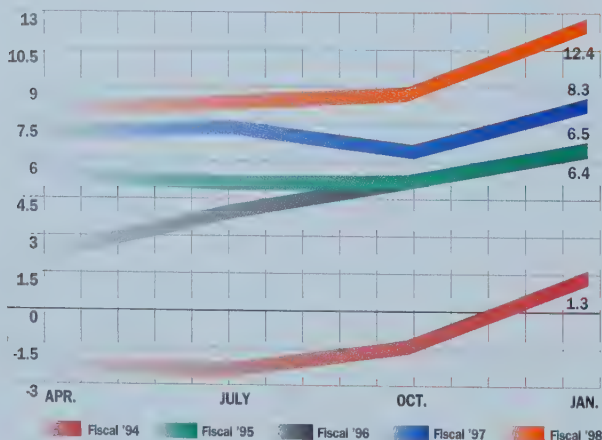
** Only two-months of operations for WWE items in fiscal '97.

Consolidated After-Tax Earnings

	52 weeks January 25, 1997 (\$000's)	Fiscal '97 Tax Rate %	53 weeks January 31, 1998 (\$000's)	Fiscal '98 Tax Rate %	Increase/(Decrease) (000's) %	
MWW Canada						
Canadian operations	4,613	47.5	8,080	45.7	3,467	75.2
U.S. branch	—	N/A	(613)	44.3	(613)	
WWE acquisition financing	(33)	44.6	(284)	44.3	(251)	
WWE goodwill amortization	(35)	N/A	(211)	N/A	(176)	
	4,545	47.7	6,972	46.6	2,427	53.4
WWE Canada	271	46.4	(301)	42.6	(572)	
MWW U.S. entity	(893)	N/A	(120)	N/A	773	
Consolidated after-tax income	3,923	52.8	6,551	47.2	2,628	67.0

5-Year Pre-Tax Earnings to January 31, 1998

12 month Moving Average
(\$ millions)



Graph 11

The above tables also illustrate the large year-over-year growth in after-tax earnings in the pure MWW Canadian operations. The year-over-year total tax rate is lower as the U.S. losses are being tax-affected from March 29, 1997 forward. Graph 11 shows the growth in pre-tax earnings over the last five years.

Following are a three-year operations table and a table of front-line operations by region so that readers can review the Company's performance by season and by region.

Three-Year Operations Table

	52 weeks Ended January 27, 1996			52 weeks Ended January 25, 1997			53 weeks Ended January 31, 1998		
	Spring	Fall	Total	Spring	Fall	Total	Spring	Fall	Total
Corporate and franchise sales	\$93,144	\$169,431	\$262,575	\$99,489	\$204,267	\$303,756	\$141,764	\$260,443	\$402,207
Corporate sales	\$70,411	\$127,851	\$198,262	\$77,847	\$143,055	\$220,902	\$ 86,592	\$165,424	\$252,016
Gross margin (%)	37.2	37.0	37.1	37.1	38.5	38.0	39.7	41.0	40.5
Front-line expenses	\$24,059	\$ 30,345	\$ 54,404	\$27,513	\$ 36,686	\$ 64,199	\$ 31,454	\$ 42,862	\$ 74,316
Front-line contribution	\$ 2,156	\$ 16,921	\$ 19,077	\$ 1,344	\$ 18,426	\$ 19,770	\$ 2,885	\$ 24,892	\$ 27,777
Front-line contribution (%)	3.1	13.2	9.6	1.7	12.9	8.9	3.3	15.0	11.0
Franchise royalties and other	\$ 1,524	\$ 2,742	\$ 4,266	\$ 1,445	\$ 3,536	\$ 4,981	\$ 2,665	\$ 4,939	\$ 7,604
Back-line expenses	\$ 6,690	\$ 10,279	\$ 16,969	\$ 7,175	\$ 9,266	\$ 16,441	\$ 9,987	\$ 12,990	\$ 22,977
Pre-tax earnings (loss)	\$ (3,010)	\$ 9,384	\$ 6,374	\$ (4,386)	\$ 12,696	\$ 8,310	\$ (4,437)	\$ 16,841	\$ 12,404
MWW Corporate stores									
Open at start of period	94	97	94	103	106	103	108	110	108
Opened	4	7	11	3	2	5	3	4	7
Franchise reposessions	1	—	1	3	—	3	—	1	1
Closed	(2)	(1)	(3)	(3)	—	(3)	(1)	—	(1)
Open at end of period	97	103	103	106	108	108	110	115	115
Work World corporate stores									
Open at end of period	—	—	—	—	—	—	1	3	3
Franchise stores									
Open at end of period									
MWW	39	38	38	34	33	33	32	31	31
Work World	—	—	—	—	150	150	144	139	139
MWW sales per sq. ft.*	\$ 102	\$ 166	\$ 268	\$ 92	\$ 157	\$ 249	\$ 92	\$ 161	\$ 253
MWW Inventory at retail									
– highest	\$90,978	\$130,293	\$130,293	\$99,783	\$121,814	\$121,814	\$104,718	\$153,395	\$153,395
– lowest	\$67,909	\$ 81,370	\$ 67,909	\$81,330	\$ 81,650	\$ 81,330	\$ 81,614	\$112,315	\$ 81,614
MWW Inventory turnover (times)	0.9	1.2	2.1	0.9	1.4	2.3	0.9	1.3	2.2
Operating line**									
– highest usage	\$20,850	\$ 21,100	\$ 21,100	\$17,800	\$ 24,200	\$ 24,200	\$ 22,000	\$ 24,600	\$ 24,600
– lowest usage	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
MWW total sales area (sq.ft.)									
Stores open at beginning of year			657,775			814,977			927,972
Opened/expanded			167,936			128,170			115,422
Closed/downsized			(10,734)			(15,175)			(10,800)
Stores open at end of year			814,977			927,972			1,032,594
MWW corporate store sales									
Increase (%)			9.2			11.4			13.6
MWW Corporate store same									
store sales increase (%)			1.3			4.2			8.3
MWW gross margin return									
on investment (times)			1.4			1.6			1.7
MWW gross margin return									
on space (\$ per sq.ft.)			\$ 99.8			\$ 96.4			\$ 103.7
MWW Corporate and franchise									
Stores' market share of									
men's stores market (%)			11.5			13.1			14.1

* Calculated on stores open and at the same store size for an entire season. The Company breaks the year down into two seasons: Spring – February through July; Fall – August through January.

** Excludes outstanding letters of credit, which had a highest outstanding of \$6,922,000 in January, 1998.

Front-line Operations by Region

(dollar amounts in thousands, except sales per resident and sales per retail sq. ft.)	Western Canada	Ontario	Quebec/ Atlantic	U.S. Pilot	Work World	Total
Sales – total retail						
Fiscal 1998	\$123,496	\$126,035	\$62,504	\$1,675	\$88,497	\$402,207
Fiscal 1997	\$114,302	\$111,567	\$54,305	\$1,410	\$22,172	\$303,756
Fiscal 1996	\$106,021	\$104,010	\$51,698	\$ 846	N/A	\$262,575
Total systems sales per resident						
Fiscal 1998	\$ 13.79	\$ 11.13	\$ 6.36	N/A	\$ 3.99	\$ 13.29
Fiscal 1997	\$ 12.79	\$ 9.86	\$ 5.53	N/A	N/A	\$ 9.31
Fiscal 1996	\$ 12.08	\$ 9.20	\$ 5.30	N/A	N/A	\$ 8.76
Sales – corporate stores						
Fiscal 1998	\$ 99,249	\$110,039	\$40,051	\$1,675	\$ 1,002	\$252,016
Fiscal 1997	\$ 89,363	\$ 96,322	\$33,807	\$1,410	N/A	\$220,902
Fiscal 1996	\$ 81,263	\$ 86,121	\$30,032	\$ 846	N/A	\$198,262
MWW corporate store sales per retail sq. ft.*						
Fiscal 1998	\$ 253	\$ 267	\$ 234	\$ 125	N/A	\$ 253
Fiscal 1997	\$ 253	\$ 258	\$ 212	\$ 106	N/A	\$ 249
Fiscal 1996	\$ 260	\$ 297	\$ 222	\$ 63	N/A	\$ 268
Sales – franchise stores						
Fiscal 1998	\$ 24,247	\$ 15,996	\$22,453	N/A	\$87,495	\$150,191
Fiscal 1997	\$ 24,939	\$ 15,245	\$20,498	N/A	\$22,172	\$ 82,854
Fiscal 1996	\$ 24,758	\$ 17,889	\$21,666	N/A	N/A	\$ 64,313
Front-line contribution						
Fiscal 1998	12.2%	13.1%	5.2%	(54.6%)	6.3%	11.0%
Fiscal 1997	11.3%	10.8%	0.5%	(52.8%)	N/A	8.9%
Fiscal 1996	10.0%	11.7%	4.9%	(64.4%)	N/A	9.6%
Franchise royalties and other						
Fiscal 1998	\$ 1,620	\$ 1,001	\$ 1,475	N/A	\$ 3,508	\$ 7,604
Fiscal 1997	\$ 1,713	\$ 968	\$ 1,338	N/A	\$ 962	\$ 4,981
Fiscal 1996	\$ 1,688	\$ 1,185	\$ 1,393	N/A	N/A	\$ 4,266
Net front-line contribution from operations						
Fiscal 1998	\$ 13,698	\$ 15,459	\$ 3,567	(\$ 914)	\$ 3,571	\$ 35,381
Fiscal 1997	\$ 11,771	\$ 11,332	\$ 1,518	(\$ 744)	\$ 874	\$ 24,751
Fiscal 1996	\$ 9,781	\$ 11,253	\$ 2,853	(\$ 544)	N/A	\$ 23,343
MWW inventory turnover						
Fiscal 1998	2.3	2.5	2.0	1.1	N/A	2.2**
Fiscal 1997	2.5	2.6	2.2	0.8	N/A	2.3**
Fiscal 1996	2.3	2.6	2.1	0.6	N/A	2.1**
Number of stores at end of year						
Corporate /Franchise						
Fiscal 1998	44/13	47/9	23/9	1/0	3/139	118/170
Fiscal 1997	41/15	44/9	22/9	1/0	0/150	108/183
Fiscal 1996	39/16	42/11	21/11	1/0	N/A	103/38

N/A Not applicable

* Calculated on stores open and at the same store size for an entire season. The Company breaks the year down into two seasons: Spring – February through July; Fall – August through January.

** Calculation based on the compilation of regional data plus inventory in the Company's corporate distribution center

Management's Discussion and Analysis

Consolidated Balance Sheets

The Company's January 31, 1998 consolidated balance sheet shows that the Company's total assets are

Consolidated Merchandise Inventories

	January 25, 1997 (\$000's)	January 31, 1998 (\$000's)	Increase/(Decrease)	
			(\$000's)	(%)
MWW – Canadian operations	43,193	58,397	15,204	35.2
MWW – U.S. Operations	795	695	(100)	(12.6)
Work World	52	1,016	964	N/A
	44,040	60,108	16,068	36.5

	Fiscal 1997	Fiscal 1998	Increase/ (Decrease) %
MWW (Canada and U.S.)			
Inventory at cost per retail sq. ft. at year end	\$47.40	\$57.23	20.7
Average inventory at cost per avg. retail sq. ft. throughout the year	\$60.22	\$61.29	1.8
Inventory turnover (turns)	2.25	2.20	(2.2)
Weighted average retail sq. ft. throughout the year	872,410	981,851	12.5
Year end retail sq. ft.	927,972	1,032,594	11.3

As the above table illustrates, inventory at cost per retail square foot at year end has increased by more than the 11.3% increase in retail square footage and the 13.6% increase in MWW corporate stores sales in combination and, as a result, inventory turns have declined slightly. The excess inventory at year end is in non-fashion sensitive winter products such as winter underwear, winter hosiery, winter work gloves and mitts, some styles of winter boots and some basics. This non-fashion basic inventory, which has been properly valued with normal purchase markups, will sell in fiscal '99 and total inventories will be brought back into balance by reducing fiscal '99 purchases in those selected commodities. During fiscal '98, the Company completed the development of its automatic re-ordering system and it was operating store-specific computer-generated orders on basic domestic product with 14 of the Company's 40 key suppliers on 119 styles. The Company expects this to increase to 21 vendors in fiscal '99.

As the Company has stated in previous annual reports, while it will continue to monitor inventory turnover, it will continue to approach improvement in this area carefully because today's consumers, with the time pressures they are subject to in their personal lives, expect that destination stores will always be "in stock"

up \$10.4m over January 25, 1997 due to increases in inventories and capital assets offset by a decrease in cash.

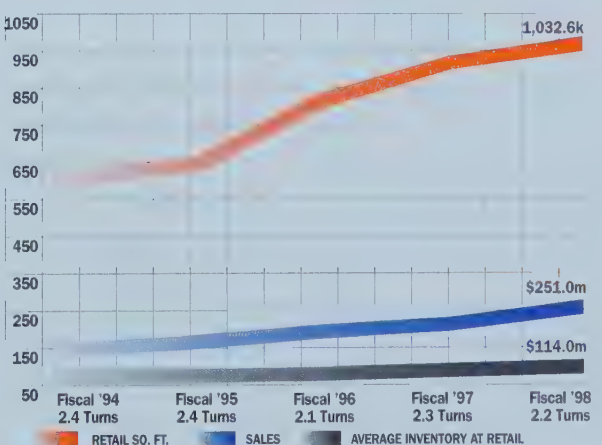
The \$16.1m or 36.5% increase in inventories is the result of square footage increases, sales shortfall to plan in basic winter commodities due to the unseasonably mild winter, and the carrying of some commodities for the Work World franchise stores.

for them whenever they find the time to shop.
(See Graph 12 – 5-Year Inventory Turns)

The \$5.5m increase in the Company's capital assets in fiscal '98 is the result of the Company's continuing "On Concept" store program and the setting up of computer capital leases on the Company's books on March 31, 1997, when, by agreement, it terminated its computer outsourcing arrangements with ISM.
(See Notes 1H and 6 to the Consolidated Financial Statements and the table on the following page.)

5-Year Inventory Turns

MWW Canadian and U.S. Corporate Store Operations (excludes WWE)
(\$ millions & retail square feet in thousands)



Graph 12

Capital Assets

	Fiscal 1997	Fiscal 1998
	(\$000's)	(\$000's)
Opening capital assets	11,853	14,608
Store "On Concept" and other additions	5,998	5,249
System capital lease additions	—	6,346
Work World acquisition	587	—
	18,438	26,203
Depreciation	(3,830)	(6,131)
Closing capital assets	14,608	20,072

The Company's year-end cash decreased by \$11.4m due to the investment in inventory noted above, along with a decrease in accounts payable and accrued liabilities as the Company continues to take advantage of cash discounts offered by suppliers.

The Company's long-term debt (current and long-term position combined) increased by \$3.6m primarily due to the addition of computer capital lease debt from the termination of the ISM arrangements noted above and continued financing of some of the renovations as the Company continues to bring its stores "On Concept".

Long-Term Debt (current and long-term)

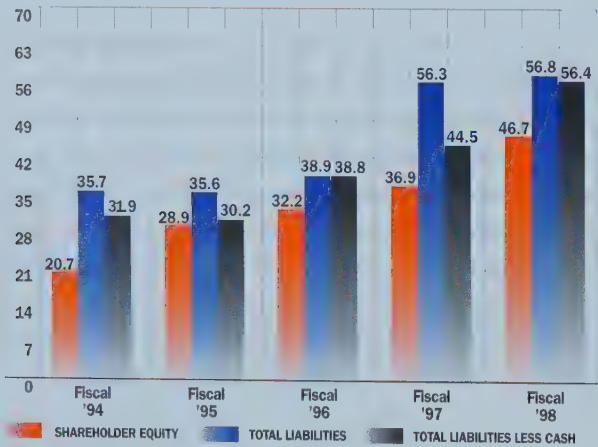
	Fiscal 1997	Fiscal 1998
	(\$000's)	(\$000's)
Opening long-term debt (current and long-term)	4,274	14,238
Store "On Concept" financing	3,509	4,089
Work World acquisition	204	—
Work World acquisition financing	7,000	—
System capital lease financing	—	6,346
	14,987	24,673
Principal repayments	(749)	(3,825)
Conversion of subordinated debt to equity	0	(3,000)
Closing long-term debt (current and long term)	14,238	17,848

The Company's capital stock increased by \$3.3m as a result of the conversion of the subordinated debt noted above and the exercising of some stock options. (See Graph 13 – 5-Year Capital Structure)

The Company's consolidated balance sheet remains strong as at January 31, 1998, with a current ratio of 1.85-to-1 compared to 1.67-to-1 at January 25, 1997, and 1.74-to-1 at January 27, 1996, and to the Company's goal of a minimum of 1.50-to-1. The total liabilities-to-equity ratio

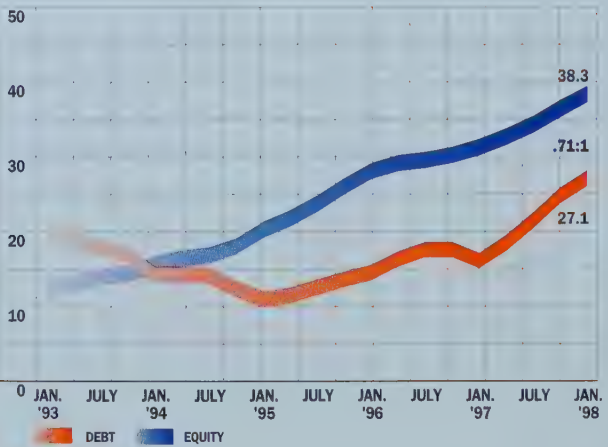
at January 31, 1998, is 1.21-to-1 compared to 1.53-to-1 at January 25, 1997, and 1.21-to-1 at January 27, 1996, and compares to the Company's goal of no more than 1.75-to-1. The twelve-month moving average funded debt-to-equity ratio was 0.71-to-1 at January 31, 1998, compared to 0.51-to-1 at January 25, 1997, and 0.52-to-1 at January 27, 1996, and to the Company's goal of no more than 0.75-to-1 prior to fiscal '98 and 0.90-to-1 thereafter. (See Graph 14 – 5-Year Funded Debt to Equity)

5-Year Capital Structure (\$ millions)



Graph 13

5-Year Funded Debt to Equity to January 31, 1998 12 Month Moving Average (\$ millions)



Graph 14

Management's Discussion and Analysis

Consolidated Statements of Cash Flows

During the year ended January 31, 1998, the Company generated \$13.8m in funds flow from operations, compared to \$8.4m in the prior year for a 64.5%

Changes in Non-Cash Working Capital

	52 Weeks ended January 25, 1997*	53 Weeks ended January 31, 1998
	(\$000's)	(\$000's)
Decrease (increase) in		
Accounts receivable	107	(360)
Merchandise inventories	629	(16,068)
Prepays and deposits	(722)	(414)
	14	(16,842)
Increase (decrease) in		
Accounts payable and accrued liabilities	4,532	(3,260)
Income taxes payable	928	17
	5,474	(20,085)

* All changes resulting from the December 1, 1996 acquisition of Work World are shown under acquisition in the investing section of the Consolidated Statements of Cash Flows and excluded from non-cash working capital changes in fiscal '97.

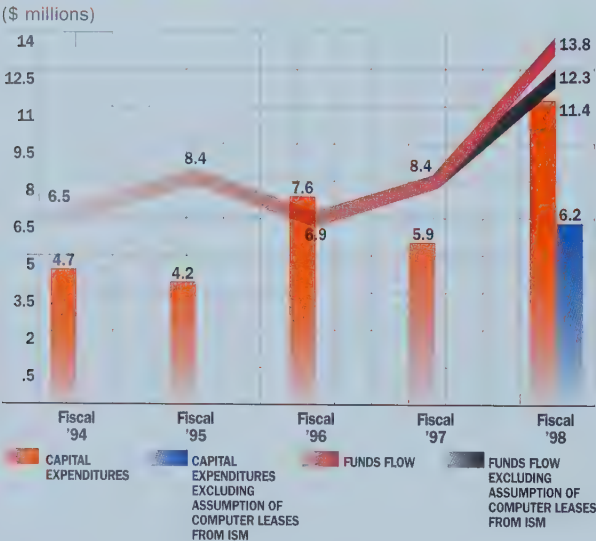
increase (46.8% increase to \$12.3m if the ISM computer outsourcing arrangements had not been terminated. See Management Discussion and Analysis Back-line Expenses and Notes 1H and 6 to the Consolidated Financial Statements). The entire amount of the funds flow from operations plus an additional \$6.3m was invested in non-cash working capital accounts primarily inventory as the following table illustrates.

A detailed analysis of inventories was provided in Management Discussion and Analysis – Consolidated Balance Sheets. Capital asset additions consisted of \$5.2m of store construction and other and \$6.3m of computer capital leases, of which \$5.3m were the result of the termination of the ISM computer outsourcing arrangements and \$1.0m were current year additions. These capital asset additions were financed by \$4.1m of store construction leases, \$5.3m of computer leases assumed on the termination of the ISM outsourcing arrangements and \$1.0m of new computer capital lease debt for current year additions.

Current year long-term debt retirements consisted of the conversion of the \$3.0m of convertible subordinated debt to equity and \$3.8m repayments on construction leases and computer leases. While cash and short-term investments on hand decreased by \$11.4m during fiscal January '98, given that it is all invested in short-term inventories, the Company's liquidity is still sound going into fiscal January '99. (See Graph 15 – 5-Year Funds Flow)

During the coming year, the Company is planning to invest \$4.8m in major store projects, \$2.2m in front-line and back-line systems equipment and \$2.5m of general capital expenditures. The Company expects to meet these cash requirements from its forecasted \$16.5m to \$18.2m cash flow from operations net of its forecasted \$10.3m to \$12.1m investment in non-cash working capital, and its forecasted \$6.2m of capital lease financing net of principal repayments of \$5.1m and \$0.8m of new equity on the exercise of stock options during the year. The Company also has operating credit facilities as described in Note 8 to the Consolidated Financial Statements. (See forecast on page 23 and related assumptions on page 22).

5-Year Funds Flow from Operations and Capital Expenditures



Graph 15

Risk and Uncertainties

Following is a table of the External and Internal risk factors that affect the Company's business and ultimately its profitability.

Risk Factors

External	Internal
Consumer environment	Customer service
Competition	Sales blend
Seasonality	Marketing strategies
Weather	Store openings and closings
Merchandise sourcing	Expense rates in payroll, advertising, occupancy and systems
Foreign exchange rates	Inventory levels
Interest rates	Capital expenditure investments in stores and systems
Unsolicited offer to purchase the Company's outstanding common shares	Liabilities-to-equity levels
Share trading information	Foreign exchange exposure
	Interest rate exposure
	Number and strength of franchise stores
	Automatic replenishment
	Year 2000 compliance for the Company's computer systems

Management's responsibility is to mitigate external risk factors to the extent possible, and to achieve an appropriate balance among the internal risk factors, in order to optimize profits.

The **consumer environment** in Canada has improved in the last twelve to eighteen months, characterized by a more buoyant economy and better employment numbers. The past year has been Canada's strongest retail sales growth year since 1988. In January, 1998, the trend in Canada continued with strong national retail sales figures, except for a decline in Quebec, due to the ice storms, and negligible growth in British Columbia. However, as January is typically one of the slowest months of the year for retail sales, the significance of these gains cannot be confirmed until a distinctive pattern emerges. Thus, there is no assurance that consumers will continue to purchase apparel at the rate they did in 1997 and in the first month of 1998. The Company feels that it has mitigated this risk by developing a stable yet evolving product offering, "On Concept" stores, and sound marketing programs.

Competition in the men's wear apparel sector remains fierce as department stores, discount department stores, other discount stores, unisex stores and men's specialty stores battle for market share within this market segment. Many of these stores are now large U.S.-based retailers. Some mergers and subsequent store consolidation are also occurring within the sector. Management feels that it has mitigated this risk by keeping the Company well positioned in this market sector from a selection and pricing perspective. The Company's market share statistics seem to support that position. However, the Company does not believe that it is isolated from the effects of this competition and it intends to continue to be rigorous in maintaining good relationships with its customers, protecting its business and generating new customers.

The Company's business continues to be very **seasonal** with the fourth quarter of the fiscal year continuing to produce around 40% of annual sales and most of the annual profits, as a result of the general increase in consumer spending in that period. The sales reporting and merchandise planning modules of the Company's information system are assisting the Company in mitigating the risk and uncertainties associated with seasonal programs, but will not remove them completely, as inventory orders, especially for a significant portion of offshore commodities, must be placed well ahead of the season.

Approximately 35% of the Company's business is in seasonal commodities. Thus, **weather** dependency cannot be totally disassociated from the Company's business.

In the area of **merchandise sourcing**, the Company has several sources of supply for most of its key commodities in order to be able to provide a continuous supply of quality products to its customers. While short-term interruptions could occur, the Company continues to work with both its domestic and foreign sources, to ensure that they have the commitment and ability to supply the Company so that our customers' needs are met.

As part of its offshore sourcing practices, the Company advises its importers not to provide it with any goods produced in factories that use child labour or unacceptably paid or treated labour. For direct imports, the Company inspects each factory it deals with and asks if the factory employs child or unacceptably paid or treated labor. Nevertheless, the Company cannot guarantee that

such activities will not occur in the factories of the offshore suppliers with which it deals.

In addition, the Company is a member of the Retail Council of Canada and has joined as a participant on the Retail Council's Executive Trade Committee to develop voluntary standards with respect to ethical product sourcing. The Company has also joined with other organizations in calling for a national Task Force on this matter and will participate through the Retail Council.

MWW's **foreign currency** risk is generally limited to currency fluctuations between the Canadian and U.S. dollar, as most of the Company's offshore suppliers do business in U.S. dollars. Since the Company has only one U.S. pilot store, begun in August, 1995, the Company has virtually no U.S. dollar revenues to use for the purchase of offshore commodities in U.S. dollars. The Company's practice is to enter into forward contracts for over 50% of its anticipated U.S. offshore purchases to help manage this risk. As at January 31, 1998, the Company had a foreign exchange collar arrangement in place for committed and anticipated foreign purchases during the Company's next fiscal year totalling \$18,390,500 U.S. . Under the terms of the collar, the Company bears the exchange risk on foreign purchases when the Canadian dollar trades against the U.S. dollar within the range of \$1.394 (\$25,636,357 Cdn, the floor) and \$1.465 (\$26,942,083 Cdn, the ceiling). As at January 31, 1998, there was no unrealized gain or loss on the foreign exchange collar based on a January 31, 1998, exchange rate of \$1.4563 (\$26,782,085 Cdn). (See Notes 1L and 12 to the Consolidated Financial Statements.) The Company purchases 65% of its commodities from Canadian manufacturers in Canadian dollars.

MWW's **interest rate** risk is a result of its short-term floating rate debt requirements during part of its fiscal year. Interest rate swap contracts are used to hedge this interest rate risk on the anticipated short-term floating rate debt requirements for the coming year. As at January 31, 1998, the Company had fixed its borrowing rate on 57% of its anticipated short-term borrowing requirements at a 5.95% all-in rate (See Notes 1L and 12 to the Consolidated Financial Statements).

Since the Company is a public company without a management control-share block, **unsolicited offers to purchase the Company's outstanding Common Shares** could appear from time to time, as one did during fiscal '98. While Management has processes in place to have the Company's Board of Directors and non-operations Management deal with such matters should they arise, there is a risk that such activities could distract operation's Management to the point of affecting performance and create expenses which, in combination, could cause the Company to fall short of its forecast range published on pages 22 and 23.

The internal **risk factors** are often tied together and thus action taken to stimulate one factor often results in a negative effect on other factors:

■ New store openings may increase sales, but, in the first year or two of operations of that store, the increase in payroll costs, advertising costs, occupancy costs and interest costs may cause that store to contribute an operating loss, until it becomes a mature store from a sales per sq. ft. perspective.

■ Additional advertising campaigns may increase sales in the long-term, but not sufficiently in the short-term to cover the cost of the advertising and increase short-term profitability.

■ Staff reductions can lower payroll costs, but may cause a loss of sales due to lower sales per customer and customer dissatisfaction with the level of sales service and stock outages.

Management believes that it is achieving an appropriate balance among the internal risk factors in order to optimize profits.

The **MWW franchise operations** consisted of 31 franchise stores at January 31, 1998, 87% of which meet Company-set capitalization standards. This operation is very stable and is expected to shrink a little each year with a franchisee or two selling their stores back to the Corporation.

The **Work World franchise operation** consisted of 139 franchise stores at January 31, 1998, 53% of which meet Company set capitalization standards, set after the December 1, 1996 acquisition date as there were no capitalization standards under the previous administration. In fiscal '99, the Company is introducing new merchandise programs for approximately 20% of the franchisees' annual purchases and sales.

These programs are expected to improve the sales and profitability of the Work World franchise stores. The Company has put the necessary credit controls in place to control merchandise shipments to the Work World franchisees. Nevertheless, given the capitalization level of many of these stores, there is a risk that more of the stores could close causing a loss of royalty and other revenues and bad debt write-offs for the Company in the near term.

During fiscal '98, the Company completed the development of its **Automatic Re-ordering System** and is now operating store-specific computer-generated orders on basic domestic products with 14 of the Company's 40 key suppliers on 119 styles, and we expect this to increase to 21 vendors in fiscal '99. This new technology should ensure fewer stock outages and thus stronger sales in core sizes and colors of basic domestic product. As the base models get put into production on a store-by-store basis, the Company has strict review processes in place to manage order excesses or short falls as store personnel adapt the model to their specific store market. Further, the Company has introduced training programs for store personnel on the proper operation of the automatic re-ordering models. However, there is a risk that in the short run, this could cause higher inventories and the need for increased working capital until inventories become balanced and store personnel become proficient at managing the automatic replenishment models.

Mark's Work Wearhouse Ltd. has been working on the **Year 2000** issue for the past year. The Company has completed the assessment phase and now has a Year 2000 Plan in place. We have started the construction phase and will have construction and testing completed by the end of the third quarter of 1998. This will leave us in a position to attempt to fully implement our plan by the end of calendar 1998.

The assessment stage allowed us to take an inventory of all operating and information systems that have a potential Year 2000 impact. This includes all hardware platforms, systems operation software, and application software.

The scope of our assessment also includes all third-party business partners who provide operating equipment such as telephone and security systems, and all electronic trading and banking partners.

Our Year 2000 construction phase includes a three-month moratorium on any new development during calendar 1998 so that most of our internal system resources can be allocated to this project. We have identified all systems which need modification and have begun to replace some operating equipment and non-compliant systems (i.e. corporate telephone system and security system).

Due to the technology that MWW has employed for the past seven years, we are in a position to modify our systems with our current resources and within our current annual system development budget. We will accomplish this by spending some of our current-year programming budget on this project rather than on other new development. As noted above, we are freezing all new development for a three-month time period to allow for the modification of the application systems we already have. This will allow us plenty of time for testing and implementation, which we plan to have completed by the end of 1998.

The main risks presented by our Year 2000 project center around third-party compliance. To mitigate these risks, we have been issuing Year 2000 questionnaires to all our third-party business partners in order to identify those with whom we may have potential problems. As well, we will be putting processes in place to check all date-related data coming into our system electronically. These processes will filter out non-compliant data, attempt to convert it and create exception reports. The offending parties will be contacted and requested to rectify the problem. If the issue is not dealt with, we will stop dealing with those offending third parties electronically until they become compliant. These processes are part of the construction phase and should be in place by the end of the fourth quarter of 1998, allowing us to start assessing data received from third parties well in advance of January 1, 2000.

Risks in the areas of hardware platforms and external software (i.e. PC packages) are being mitigated by the MWW policy of standardizing on what are commonly known as Tier 1 platforms. It is our belief that these large technology companies will ensure they are Year 2000-compliant as they have the greatest exposure. To confirm this, all Tier 1 vendors that we deal with will be required to provide documentation detailing their Year 2000 compliance.

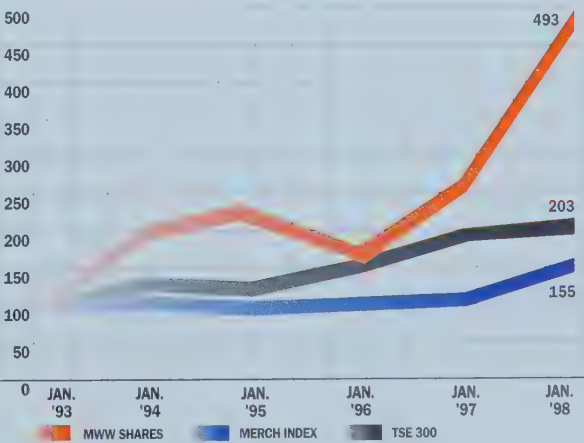
Programming and assessment costs which are being funded by existing budgets, and which will be expensed as incurred (see Note 1J to the Consolidated Financial Statements) are estimated to be \$150,000 for a Year 2000 Project Leader who has successfully assessed the situation and put together our comprehensive plan and \$300,000 for resources plus the lost opportunity cost of not having any new development for a three month period. Capital costs to replace operating equipment are estimated at \$150,000 and include mainly building infrastructure pieces such as security systems. All of our current hardware-processing platforms and all major operating systems are Year 2000-compliant. Those store operating systems that are currently not Year 2000-compliant are being upgraded to be Year 2000-compliant, again as part of our normal annual software upgrading budget in the current fiscal year.

During the year ended January 31, 1998, our **shares traded** at multiples ranging from 8.1 to 18.5 times earnings per common share. This compares to a 21 to 54 times price earnings ratio during the Company's fiscal '98 for the TSE Merchandising Index. Also during fiscal '98, the Company's share price ranged from 114% to 260% of its January 31, 1998, book value.

Graph 16 compares the yearly percentage change in the cumulative shareholder return over the last five years on the Common Shares of the Company (assuming a \$100 investment was made on January 30, 1993) with the cumulative total return of the TSE 300 Stock Index and to the TSE Merchandising Index. No dividends have been paid by the Company and it was not necessary to build a dividend reinvestment feature into the graph.

5-Year Share Performance

(Based on Base 100)



Graph 16

**Management's Responsibility for
Financial Statements**

The accompanying Consolidated Financial Statements of the Company and all information in the Annual Report are the responsibility of Management. Financial information contained elsewhere in the Annual Report is consistent with that shown in the financial statements. The Consolidated Financial Statements were prepared by Management in accordance with accounting principles generally accepted in Canada, applied on a consistent basis, and conforming in all material respects with International Accounting Standards. The significant accounting policies, which Management believes are appropriate for the Company, are described in Note 1 to the financial statements.

Management is responsible for the integrity and objectivity of the financial statements. Estimates are necessary in the preparation of these statements and, based on careful judgements, have been properly reflected. Management has established systems of internal control which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and to produce reliable accounting records for the preparation of financial information.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal control. The Audit Committee of the Board, which is comprised solely of Directors who are not employees of the Company, is appointed by the Board of Directors annually. The Audit Committee of the Board meets regularly with financial Management of the Company and with the shareholders' independent auditors to discuss internal controls, audit matters, including audit scope and auditor remuneration, and financial reporting issues. The independent shareholders' auditors have unrestricted access to the Audit Committee. The Audit Committee reviews the annual Consolidated Financial Statements and the Management Discussion and Analysis and reporting to the Board, makes recommendations with respect to acceptance for inclusion thereof in the Annual Report. The Audit Committee also makes recommendations to the Board with respect to the appointment and remuneration of the Company's auditors.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards and applicable laws and maintains proper standards of conduct for its activities.



Michael Lambert, Chief Financial Officer

April 3, 1998

Auditors' Report

To the Shareholders of Mark's Work Wearhouse Ltd.

We have audited the Consolidated Balance Sheets of Mark's Work Wearhouse Ltd. as at January 27, 1996, January 25, 1997, and January 31, 1998, and the Consolidated Statements of Earnings, Retained Earnings and Cash Flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation.

In our opinion, these Consolidated Financial Statements present fairly, in all material respects, the financial position of the Company as at January 27, 1996, January 25, 1997 and January 31, 1998 and the results of its operations and changes in its cash flows for each of the years then ended, in accordance with generally accepted accounting principles.



Price Waterhouse Chartered Accountants

Calgary, Alberta April 3, 1998

consolidated balance sheets

Consolidated Balance Sheets

(thousands)	As at January 27, 1996	As at January 25, 1997	As at January 31, 1998
Assets			
Currents assets			
Cash and short-term investments	\$ 85	\$ 11,749	\$ 349
Accounts receivable (Note 3)	10,828	12,284	12,644
Merchandise inventories	44,619	44,040	60,108
Other current assets (Note 4)	1,569	2,304	2,709
	57,101	70,377	75,810
Other assets (Note 5)	1,963	793	449
Capital assets (Note 6)	11,853	14,608	20,072
Goodwill (Note 7)	140	7,368	7,195
	\$ 71,057	\$ 93,146	\$103,526
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	\$ 30,209	\$ 36,540	\$ 33,280
Income taxes payable	2,311	3,328	3,345
Current portion of long-term debt (Note 9)	249	2,286	4,434
	32,769	42,154	41,059
Long-term debt (Note 9)	4,025	11,952	13,414
Deferred gains (Note 6)	1,163	682	1,060
Deferred income taxes	946	1,474	1,247
	38,903	56,262	56,780
Shareholders' Equity			
Capital stock (Note 11)	27,770	28,577	31,888
Retained earnings	4,384	8,307	14,858
	32,154	36,884	46,746
	\$ 71,057	\$ 93,146	\$103,526

Approved by the Board



Michael Fox, Director



Garth Mitchell, Director

consolidated statements of earnings

Consolidated Statements of Earnings

(thousands)

	52 weeks ended January 27, 1996	52 weeks ended January 25, 1997	53 weeks ended January 31, 1998
Corporate and franchise sales (Note 13)	\$262,575	\$303,756	\$402,207
Corporate Operations			
Front-line operations (Note 1B)			
Sales	\$ 198,262	\$ 220,902	\$ 252,016
Cost of sales	124,781	136,933	149,923
Gross margin	73,481	83,969	102,093
Front-line expenses			
Personnel, advertising and other	34,695	39,642	47,074
Occupancy	15,772	19,570	21,862
Depreciation and amortization	2,649	3,811	4,724
Interest – short term	1,288	1,176	656
	54,404	64,199	74,316
Front-line contribution	19,077	19,770	27,777
Franchise royalties and other (Note 14)	4,266	4,981	7,604
Net front-line contribution before back-line expenses	23,343	24,751	35,381
Back-line operations (Note 1B)			
Back-line expenses			
Personnel, administration and other	9,950	10,028	14,880
Occupancy	804	835	978
Depreciation and amortization	463	612	2,371
Software development and maintenance costs	1,003	727	815
Computer services	2,657	3,406	946
Interest – long term	384	673	1,676
Franchise bad debt provisions	562	160	460
Other costs (Note 15)	1,146	—	851
	16,969	16,441	22,977
Earnings before income taxes	6,374	8,310	12,404
Income Taxes (Note 16)			
Current	2,311	3,863	5,927
Deferred	946	524	(74)
	3,257	4,387	5,853
Net earnings	\$ 3,117	\$ 3,923	\$ 6,551
Earnings per common share	13¢	16¢	24¢
Fully diluted earnings per common share	12¢	15¢	23¢

consolidated statements of retained earnings

Consolidated Statements of Retained Earnings

(thousands)	52 weeks ended January 27, 1996	52 weeks ended January 25, 1997	53 weeks ended January 31, 1998
Retained earnings at beginning of year	\$ 1,267	\$ 4,384	\$ 8,307
Net earnings	3,117	3,923	6,551
Retained earnings at end of year	\$ 4,384	\$ 8,307	\$ 14,858

Consolidated Statements of Cash Flows

(thousands)	52 weeks ended January 27, 1996	52 weeks ended January 25, 1997	53 weeks ended January 31, 1998
Cash generated (deployed)			
Operations			
Net earnings	\$ 3,117	\$ 3,923	\$ 6,551
Non-cash items			
Depreciation and amortization	3,112	4,423	7,095
Loss (gain) on disposition of capital assets	(239)	(481)	378
Deferred income taxes	946	524	(227)
Funds flow from operations	6,936	8,389	13,797
Change in non-cash working capital	(5,253)	5,474	(20,085)
	1,683	13,863	(6,288)
Investing			
Acquisition (Note 2)	—	(7,263)	—
Purchase of capital assets (Note 6)	(7,606)	(5,923)	(11,378)
Other assets	(1,054)	707	(344)
Goodwill	(100)	(212)	(94)
Disposition of capital assets	316	(75)	(217)
	(8,444)	(12,766)	(12,033)
Financing			
Proceeds of long-term debt (Notes 6 and 9)	1,371	10,509	10,435
Retirement of long-term debt	(97)	(749)	(6,825)
Issuance of share capital			
cash	164	807	311
conversion of debt (Note 11)	—	—	3,000
	1,438	10,567	6,921
Net cash generated (deployed)	(5,323)	11,664	(11,400)
Cash and short-term investments at beginning of year	5,408	85	11,749
Cash and short-term investments at end of year	\$ 85	\$ 11,749	\$ 349

Notes to consolidated financial statements

Notes to Consolidated Financial Statements

January 31, 1998
(dollar amounts in tables in thousands except earnings per common share)

1. Significant Accounting Policies

The Company operates Mark’s Work Wearhouse (MWW) and three Work World Enterprises Inc. (WWE or Work World) corporate stores and is involved in the operations of franchise-owned MWW and Work World stores, all operating in the retail clothing and footwear industry within Canada. Through a U.S. subsidiary in fiscal January 1996 and 1997, and as a branch in fiscal January 1998, the Company also operates one MWW pilot store in the United States. These financial statements are prepared by Management in accordance with accounting principles generally accepted in Canada and conform, in all material respects, with International Accounting Standards.

A. Fiscal Year

The fiscal year of the Company consists of a 52 or 53 week period ending on the last Saturday in January each year. The fiscal year for the consolidated financial statements presented is the 53-week period ended January 31, 1998, and comparably the 52-week periods ended January 25, 1997, and January 27, 1996.

B. Basis of Presentation

The Consolidated Financial Statements include the accounts of the Company and its subsidiaries, all of which are wholly owned.

Front-line operations represent those activities where the Company’s people come face-to-face with the customers and back-line operations represent those activities that support the effective performance of front-line activities.

C. Franchise Operations

Initial franchise fees are recorded as income when the store has been opened whether the balance has been received or is receivable. Deposits received on franchise agreements for stores not yet opened are included in current liabilities on the balance sheet. Royalties, which are based on sales by the franchisees, are recorded as income as they are earned. Costs are expensed as incurred as part of either front-line or back-line expenses. In the case of MWW franchise operations, except for franchise bad debt provisions, the majority of costs are not identifiable as costs specific to franchise activities. In the case of Work World, most of the costs are identifiable as specific costs to Work World franchise activities.

D. Merchandise Inventories

Merchandise inventories are accounted for by the retail method and are carried at the lower of estimated cost and anticipated selling price, less an expected average gross margin.

E. Capital Assets

Depreciation is designed to amortize the cost of capital assets over their estimated useful lives. Capital assets are amortized at the following annual rates:

Building	Straight line at 7%
Leasehold improvements	On a straight-line basis over the term of the lease
Furniture, fixtures and equipment	On a straight-line basis at 20% per year
Fixtures, equipment and computer equipment capital leases	On a straight-line basis over the term of the lease

F. Goodwill

Goodwill is the excess of the costs of investments in subsidiaries or repurchased franchise stores over the fair value of the net assets acquired. Goodwill is being amortized on a straight-line basis determined for each acquisition or repurchased franchise store over the estimated life of the benefit. The value of goodwill is regularly evaluated by reviewing the financial returns of the related business or repurchased franchise stores, taking into account the risk associated with the investment. Any permanent impairment in the value of goodwill is written off against earnings. The weighted average remaining amortization period is 31.7 years (January 25, 1997 32.9 years; January 27, 1996 3.0 years). No goodwill is set up on the reacquisition of troubled franchises. See Note 7.

G. Translation of Foreign Currencies

Inventory purchases in foreign currencies are translated at the rate of exchange in effect on the dates they occur and payable balances at the balance sheet date, after taking into account the effect of any related foreign exchange hedging contracts.

For the fiscal years ended January 31, 1998, and January 25, 1997, the Company's U.S. operations were considered integrated and therefore were translated using the temporal method, whereby monetary items are translated at the rate of exchange in effect at the balance sheet dates, non-monetary items are translated at historical exchange rates and, revenue and expense items except for depreciation and amortization are translated at the rate of exchange in effect on the dates they occur. In fiscal January 27, 1996, the operations of the Company's U.S. subsidiary were translated using the current rate method; as at January 27, 1996, the translation adjustment account of \$49,000 was written off.

H. Computer Services

Pursuant to an agreement dated December 31, 1993, effective February 1, 1994, the Company entered into a five-year outsourcing agreement with Information Systems Management (Alberta) Corporation (ISM) which required declining payments over a five-year period. Since the services contemplated were to be the same for each of those years, the related costs (net of the deferred gain on disposition of the equipment to ISM) were being recognized in annual amounts equal to one-fifth of the total payments. At times since February 1, 1994, the Company requested increased services and those costs were being expensed as they were incurred. Effective February 1, 1996, the Company negotiated a two-year extension to the arrangement with some cost reductions and some payment extensions and those costs were being expensed as they were incurred. Effective March 31, 1997, the Company negotiated a termination of this agreement with ISM. See Notes 5 and 6.

I. Store Opening Expenses

Because of the significant number of store openings as the Company converts to larger "On Concept" stores, store opening expenses are being capitalized and are being amortized over a three-year period commencing in the quarter following the store opening. See Notes 4 and 5.

J. Software Development and Maintenance Costs

Costs incurred to develop or maintain software for the Company's proprietary management information systems are expensed as incurred.

K. Earnings Per Common Share

Basic earnings per common share are calculated using the weighted average number of Common Shares outstanding (See Note 11) during the year. Fully diluted earnings per common share are calculated after giving effect to the exercise of outstanding options and to the conversion of the 8% Convertible Subordinated Debentures up to their conversion between January 31, 1997, and February 3, 1997.

L. Financial Instruments

Interest rate swap contracts are used to hedge interest rate risk on over 50% of the Company's anticipated short-term floating rate debt requirements during its next fiscal year. The interest rate differentials to be paid or received under such contracts are recognized as adjustments to interest expense in that fiscal year.

Foreign currency risks related to the purchase of merchandise for resale are hedged for over 50% of the Company's anticipated purchases. Any costs associated with these purchases are included in the Canadian dollar cost of these products.

The estimated fair values of accounts receivable and accounts payable approximate book value. See Note 9 for the estimated fair value of fixed rate debt and Note 12 for the estimated fair value of financial instruments.

M. Deferred Income Taxes

The Company currently uses the deferral method of tax allocation accounting. The Company will change to the liability method of tax allocation accounting prior to the requirement for fiscal years beginning after January 1, 2000. The Company does not anticipate any significant adjustments to the financial statements upon implementation of this change.

N. **Post Retirement Benefits**

The Company does not provide its employees with post-retirement health, insurance and other benefits at this time. The Company has a retirement plan for all permanent employees. The retirement plan is a combined group-registered retirement savings plan and deferred profit-sharing plan, whereby the Company (providing it was profitable in the previous year) matches employees contributions up to 4% of the employee's salary. Contributions made by the Company to the retirement plan are expensed when they are made.

O. **Prior Year Amounts**

Certain prior years' amounts are reclassified to conform to the current year's presentation. None of these reclassifications are significant.

2. **Acquisition**

Effective December 1, 1996, the Company acquired all of the outstanding shares of WWE for cash totalling \$7,263,000. WWE was directing the operation of Work World and Workwear World franchises operating retail stores in Canada using a variety of proprietary trademarks and trade names.

The acquisition was accounted for by the purchase method, with the results of the acquired business included from the date of acquisition: December 1, 1996.

The acquisition resulted in goodwill of \$7,146,000 which is being amortized on a straight-line basis over 34 years which represents the average life of the franchise agreements plus one extension period.

The net assets acquired were as follows:

Current assets	\$1,596
Franchise contracts receivable	52
Capital assets	587
Goodwill (See Notes 1F and 7)	7,146
	9,381
Liabilities assumed	(2,118)
Acquisition cost	\$7,263

3. **Accounts Receivable**

	1996	1997	1998
Receivables from franchise stores			
MWW stores	\$ 7,648	\$ 6,763	\$ 5,526
Work World stores	—	1,730	2,522
Receivables from business account sales	2,010	2,190	3,131
Other accounts receivable	3,378	3,377	3,891
Current portion of notes receivable from MWW franchises	100	250	125
	13,136	14,310	15,195
Allowance for doubtful accounts	(2,308)	(2,026)	(2,551)
	\$10,828	\$12,284	\$12,644

The Company operates in the retail industry primarily in Canada and at one location in the United States. There are no individually significant clients who would create a credit risk to the Company in its operated stores. Accounts receivable from MWW franchise stores for inventory purchases, royalties, and other services, can have large balances at certain times of the year. The Company has security instruments in-place over the franchise operations of MWW franchisees, usually postponed to the franchisees' principal banker and other personal security, both of which may or may not cover the total receivable position. The Company has receivables from Work World franchise stores, for royalties, acquisition fees, merchandise surcharges and for the costs of other services. During the fiscal year ended January 31, 1998, the Company went from not supplying inventory to Work World franchise stores and not taking responsibility for the suppliers' payments related to orders for the purchase of merchandise by Work World franchise stores, to supplying inventory and assuming supplier payments' responsibility for approximately 2.5% of the Work World franchise stores' annual inventory purchases. Accounts receivable from Work World franchise stores are unsecured.

4. Other Current Assets

	1996	1997	1998
Prepaid expenses and supplies	\$ 893	\$ 1,329	\$ 1,780
Deposits	300	337	375
Current portion of store opening expenses (See Note 1I)	376	638	554
	\$ 1,569	\$ 2,304	\$ 2,709

5. Other Assets

	1996	1997	1998
Employee relocation loans, secured	\$ 140	\$ 138	\$ 89
Notes receivable from MWW franchisees	250	—	—
Prepaid computer services (See Notes 1H and 6)	979	—	—
Store opening expenses (See Note 1I)	594	655	360
	\$ 1,963	\$ 793	\$ 449

6. Capital Assets

	1996		1997		1998	
	Cost	Net Book Value	Cost	Net Book Value	Cost	Net Book Value
Land	\$ —	\$ —	\$ 45	\$ 45	\$ 45	\$ 45
Building	—	—	452	351	452	334
Leasehold improvements	4,760	2,310	5,127	2,036	4,654	1,144
Furniture, fixtures and equipment	16,000	8,497	18,291	8,342	18,873	6,993
Fixtures and equipment under capital leases	1,174	1,046	4,491	3,834	8,645	6,696
Computer equipment under capital leases	—	—	—	—	6,346	4,860
	\$21,934	\$11,853	\$28,406	\$14,608	\$39,015	\$20,072

Pursuant to an agreement dated December 31, 1993, the Company disposed of its computer equipment under capital lease to ISM and entered into a five-year agreement by which it outsourced its computer operations, including computer equipment, to ISM. The gain realized on the disposition of the computer equipment was deferred and was being amortized as a reduction of outsourcing costs over the 60-month term of the agreement. The deferred gain balance at January 31, 1998, is Nil (January 25, 1997, Nil, and January 27, 1996, \$752,000). Effective February 1, 1996, the Company negotiated a two-year extension to the arrangement, with some cost reductions and some payment extensions. Effective March 31, 1997, the Company negotiated a termination of this arrangement with ISM, accepted an assignment of computer equipment leases from ISM, and set up, at the net present value of the remaining lease payments, \$5,281,000 of computer equipment capital leases and \$5,281,000 of computer capital lease debt on the balance sheet. See Notes 1H and 9.

See Note 2 for effect on capital assets of the December 1, 1996, acquisition of Work World.

The Company finances some of its "On Concept" stores' capital expenditures by selling and then leasing back these capital assets. The gains realized on the sales have been deferred and are being amortized over the terms of the leases. The deferred gain balance at January 31, 1998, is \$772,000 (January 25, 1997, is \$349,000 and January 27, 1996, is \$45,000).

The Company sold and leased back its corporate office and warehouse facility. The gain realized on the sale has been deferred and is being amortized over the original 128-month term of the lease. The deferred gain balance at January 31, 1998, is \$288,000 (January 25, 1997, \$333,000 and January 27, 1996, \$366,000).

7. Goodwill

	1996	1997	1998
Work World acquisition	\$ —	\$ 7,146	\$ 7,146
Repurchased franchise stores	325	308	402
	325	7,454	7,548
Accumulated amortization	(185)	(86)	(353)
	\$ 140	\$ 7,368	\$ 7,195

See Note 1F for amortization policy.

8. Credit Facilities

The Company has credit facilities for a 364-day revolving operating line as follows:

	Amount	Interest Rate
Operating	\$43 million	Prime (6% at January 31, 1998)

See Notes 1L and 12 on interest rate swap contracts.

The operating line of credit includes limits for letters of credit and forward exchange contracts and is limited to the lesser of \$43,000,000 or 60% of inventories as defined. The operating line is extendible, at the Company's request and the lender's discretion, for subsequent 364-day periods. The Company may, at any time, convert up to \$3,000,000 of the revolving credit facility into a non-revolving facility repayable over 36 months. The interest rate on the facilities increases to prime plus 0.5% if a certain interest coverage is not met.

Security provided includes a general security agreement registered in Personal Property Security Act (PPSA) jurisdictions, a fixed and floating charge demand debenture registered in non-PPSA jurisdictions, hypothec on moveables in Quebec, general assignment of accounts receivable, security under the Bank Act over inventory, pledge of shares of Work World Enterprises Inc. and guarantee and postponement of claim from all subsidiaries secured by subsidiary general security agreements and in the case of Work World Enterprises Inc., a fixed and floating charge debenture and general assignment of book debts.

9. Long-term Debt

	1996	1997	1998
Bank term loan, 7.5% interest	\$ —	\$ 7,000	\$ 5,600
8% Convertible subordinated debentures	3,000	3,000	—
Fixture and equipment capital lease obligations			
1998, 8.9% average interest rate over 63 months			
(1997, 9.3% average interest rate over 52 months;			
1996, 9.1% average interest rate over 52 months)			
See Note 6	1,274	4,238	7,125
Computer equipment capital lease obligations			
1998, 10.9% average interest rate over 49 months			
(1997 and 1996 Nil) See Notes 1H and 6	—	—	5,123
Total	4,274	14,238	17,848
Less: amount due within one year	(249)	(2,286)	(4,434)
	\$ 4,025	\$11,952	\$13,414

If rates currently available to the Company for long-term debt (including amounts due within one year), with similar terms and maturities are used, the estimated fair values of fixed rate debt as at January 31, 1998, are \$18,166,000 (January 25, 1997, \$14,279,000).

On December 9, 1996, the Company obtained a \$7,000,000, five-year term facility from its principal banker to finance the acquisition of Work World Enterprises Inc.; see Note 2. The loan has a fixed interest rate of 7.5% and is repayable in 20 equal quarterly principal plus interest payments which began March 31, 1997. Security provided is as per Note 8.

The fixtures and equipment under capital lease obligations and the computer equipment under capital lease obligations constitute the security for those respective obligations.

The Company's \$3,000,000, 8% Convertible Subordinated Debentures that matured on February 3, 1997, were convertible into Common Shares of the Company at a price of \$1.85 per common share. Between January 31, 1997, and February 3, 1997, all of the Company's 8% Convertible Subordinated Debentures were converted into 1,621,633 Common Shares of the Company.

The aggregate repayments of principal required to meet long-term debt obligations are as follows:

1999	\$4,434
2000	\$4,573
2001	\$4,365
2002	\$3,111
2003	\$1,158
Thereafter	\$ 207

10. Commitments and Contingent Liabilities

The Company has entered into operating lease agreements terminating at various dates to August, 2016. The Company has also entered into operating lease agreements for store security systems.

The minimum annual rentals, excluding tenant operating costs and the minimum annual rentals for security systems, are as follows:

1999	\$16,540
2000	\$15,839
2001	\$14,888
2002	\$13,984
2003	\$13,627
Thereafter	\$48,305

In addition to minimum annual rentals, contingent rentals may be payable under certain store leases on the basis of sales in excess of stipulated amounts.

Subsidiary companies, of the Company's subsidiary Work World Enterprises Inc., are on head leases for some of the Work World franchise stores. Should those franchise stores cease operations before the end of the lease and be unable to meet their remaining lease liabilities, those Work World subsidiary companies would have a commitment for \$5,441,000 prior to any subleasing to new franchisees or Work World corporate stores.

The Company enters into commitments with its domestic and foreign suppliers in the ordinary course of business to obtain the merchandise required to generate the following year's planned sales. In the opinion of Management, commitments made to date after having considered the Company's fiscal 1999 forecasts and opening inventory levels are consistent with prior years. As at January 31, 1998, the Company had letters of credit outstanding for merchandise purchases from foreign suppliers totalling \$5,892,000.

MWW and Work World have inventory buy-back agreements in place with Canadian banks under which they have agreed to buy-back franchise-owned inventory should the banks foreclose on any of their respective franchisees. As at January 31, 1998, if there were foreclosures on all franchise stores, where inventory buy-back agreements are in place, the Company would be required to buy-back inventory totalling \$14,322,000 from 99 stores.

11. Capital Stock

The authorized capital stock of the Company is comprised of 100,000,000 First Preferred Shares of no par value and an unlimited number of Common Shares of no par value.

The issued capital stock of the Company is as follows:

	Weighted Average Common Shares	Common Shares	
1998	27,057,691	27,286,347	\$31,888
1997	24,975,543	25,380,788	\$28,577
1996	24,514,605	24,584,788	\$27,770

Includes "Walden/Lambo" shares see below

During the year ended January 31, 1998, 283,926 Common Shares were issued pursuant to the exercise of employee stock options for a total consideration of \$311,000 and 1,621,633 Common Shares were issued on the conversion of the Company's \$3,000,000 8% Convertible Subordinated Debentures.

During the year ended January 25, 1997, 796,000 Common Shares were issued pursuant to the exercise of employee stock options for a total consideration of \$807,000.

During the year ended January 27, 1996, 185,000 Common Shares were issued pursuant to the exercise of employee stock options for a total consideration of \$164,000 and the \$49,000 in the translation adjustment account was written off. See Note 1G.

Options to purchase Common Shares granted to directors, officers and employees outstanding as at January 31, 1998, are as follows:

Number of Common Shares	Exercise Price	Expiry Date
4,900	\$0.85	January 20, 1998*
555,000	\$1.45	January 19, 1999
20,000	\$1.26	April 29, 1999
25,000	\$1.45	October 25, 2000
200,000	\$1.65	January 25, 2002
435,200	\$1.45	March 28, 2003
75,000	\$1.76	December 9, 2003
25,000	\$1.95	January 29, 2004
642,300	\$2.38	March 26, 2004
25,000	\$4.20	November 6, 2004

* Notice of exercise received on expiry date and processing of share issuance was concluded on February 4, 1998.

As at January 31, 1998, 1,107,440 of the above 2,007,400 Common Share Options are vested and exercisable.

Pursuant to a stock purchase agreement dated January 18, 1995, 1,129,000 Series A Preferred Shares of Mark's Work Wearhouse Inc. ("MWW Inc."), the Company's U.S. subsidiary (incorporated on October 17, 1994), were issued to two Walden Group Companies ("Walden") for a total consideration of \$1,597,536 (\$1,129,000 U.S.). In addition, 50,000 Common Shares of MWW Inc. were issued to Lambo Oils Ltd. ("Lambo") for a total consideration of \$7,075 (\$5,000 U.S.). As part of the financing, stock exchange agreements dated January 18, 1995, were entered into by Walden, Lambo and the Company whereby, at any time between January 18, 1995, and March 31, 1998, the MWW Inc. shares held by Walden and Lambo may be or could be required to be exchanged for Common Shares of the Company at an effective exchange rate of \$1.60 (Cdn.) per common share. Prior to March 31, 1998, Walden and Lambo requested that their shares in MWW Inc. be exchanged for 999,337 shares of the Company. See Note 18. Since the Company could require that such exchanges take place between January 1, 1998, and March 31, 1998, Walden's and Lambo's holdings in MWW Inc. have been considered equity of the Company and have been reflected as such in the Company's January 31, 1998, January 25, 1997, and January 27, 1996, Consolidated Financial Statements. The number of Common Shares of the Company (999,337 Common Shares) into which these holdings are exchangeable has also been treated as part of the weighted average outstanding Common Shares for earnings per common share calculation purposes for the years ended January 31, 1998, January 25, 1997, and January 27, 1996.

In addition, Walden was given an option to buy such number of Series B Preferred Shares in MWW Inc. that would, on conversion, equal 20% of all the outstanding Common Shares of MWW Inc. at the time of exercise of the option, for \$1,000,000 (U.S.). Such option expired on January 18, 1998, and was not exercised.

As at January 25, 1997, the book value of MWW Inc. was negative. With the permission of Walden and Lambo effective March 29, 1997, the Company purchased the assets of MWW Inc. for a total consideration of \$1,291,211 (\$937,630 U.S.) less liabilities assumed for those assets of \$179,238 (\$130,156 U.S.). Payment was made by reducing the amount owed to the Company by MWW Inc. by the amount of the net purchase price.

The shareholders of the Company approved a Shareholder Rights Plan Agreement at the June 26, 1996, Annual and Special Meeting of the Shareholders.

Pursuant to the Shareholders Rights Plan Agreement, each shareholder received one Right for each outstanding Common Share held by them. The Rights have no economic value and may not be exercised unless and until (a) an individual acquires the beneficial ownership of twenty percent (20%) or more of the outstanding Common Shares of the Company without Board approval (becomes an “Acquiring Person”), other than pursuant to a Permitted Bid, (b) the commencement of, or first public announcement of the intent of any person, other than the Company or any subsidiary of the Company, to commence a Take-over Bid, or (c) the date upon which a Permitted Bid ceases to be a Permitted Bid, or in any circumstances, such earlier or later date as may be determined by the Board of Directors, acting in good faith (collectively, the “Separation Time”). Without a postponement of the Separation Time by the Board of Directors, the occurrence of any of the above mentioned events (“Flip-in Events”), entitles all other shareholders to exercise their Rights and to purchase additional common shares at a fifty percent (50%) discount to market value.

The Rights expire upon the termination of the annual meeting of the Company in the year 1999, unless terminated earlier by the Board.

12. Financial Instruments

As at January 31, 1998, the Company had fixed its borrowing rate on 57% of its anticipated short-term borrowing requirements at a 5.95% all-in rate. At January 25, 1997, the Company had fixed its financing rate at a 5.6% all-in rate on what ended up being 108% of its actual short-term borrowing requirements during the year ended January 31, 1998. The mark-to-market value of the interest rate swap contracts is a \$8,249 unrecorded gain at January 31, 1998, (January 25, 1997, \$45,653 unrecorded loss) based on the Company's floating rate interest cost as at January 31, 1998, of 6.0% (January 25, 1997, 5.25%).

As at January 31, 1998, the Company had a foreign exchange collar arrangement in place for committed and anticipated foreign purchases during the Company's next fiscal year totalling \$18,390,500 (U.S.). Under the terms of the collar, the Company bears the exchange risk on foreign purchases when the Canadian dollar trades against the U.S. dollar within the range of \$1.394 (\$25,636,357 CDN, the floor) and \$1.465 (\$26,942,083 CDN, the ceiling). As at January 31, 1998, there was no unrealized gain or loss on the foreign exchange collar based on a January 31, 1998, exchange rate of \$1.4563 (\$26,782,085 CDN).

As at January 25, 1997, the Company had foreign exchange contracts outstanding for committed and anticipated foreign currency purchases during the Company's next fiscal year totalling \$15,022,000 (U.S.) \$19,878,000 (CDN) for an average locked-in exchange rate of \$1.32 Canadian for every U.S. dollar. As at January 25, 1997, the unrealized gain on foreign exchange contracts was \$380,301 based on a January 25, 1997, exchange rate of \$1.35.

13. Corporate and Franchise Sales

	1996	1997	1998
Company-owned store sales	\$198,262	\$220,902	\$252,016
MWW franchisee-owned store sales	64,313	60,682	62,696
Work World franchisee-owned store sales from effective date of acquisition December 1, 1996	—	22,172	87,495
	\$262,575	\$303,756	\$402,207

Total corporate and franchise sales have been shown as a separate item at the top of the Consolidated Statements of Earnings to illustrate the size of the total business. Only the Company-owned store sales and the franchise royalties earned on franchise-owned store sales, initial franchise fees earned on the sale of franchise stores, other sundry income from franchise operations and Company costs related to franchise operations form part of the Consolidated Statements of Earnings.

14. Franchise Royalties and Other

	1996	1997	1998
Royalties from MWW franchise stores	\$ 4,190	\$ 3,956	\$ 4,054
Sundry income from MWW franchise operations	76	63	42
Royalties from Work World franchise stores from effective date of acquisition December 1, 1996	—	832	3,281
Fees from the sale of Work World franchises	—	—	79
Sundry income from Work World franchise operations	—	130	148
	\$ 4,266	\$ 4,981	\$ 7,604

15. Other Costs

	1996	1997	1998
Cost related to the unsuccessful, unsolicited bid by Dylex Limited to purchase all the outstanding Common Shares of the Company	\$ —	\$ —	\$ 416
Work World severance and relocation costs	—	—	435
Settlement with a senior executive	1,271	—	—
Recovery of provisions for lawsuits	(125)	—	—
	\$ 1,146	\$ —	\$ 851

16. Income Taxes

The provision for income taxes varies from the amount computed by applying the combined federal and provincial income tax rates as follows:

	1996		1997		1998	
Federal and provincial income taxes	44.3%	\$2,824	44.6%	\$3,704	44.3%	\$5,491
Increase resulting from:						
Losses carried forward, unrecognized	3.0%	188	4.8%	396	0.4%	54
Other	3.8%	245	3.4%	287	2.5%	308
Provision for income taxes	51.1%	\$3,257	52.8%	\$4,387	47.2%	\$5,853

The Company has an August tax-year end. The Company's U.S. subsidiary has a January tax-year end. Work World has a July tax-year end. Losses carried forward for tax purposes were as follows:

	August 23, 1997	January 31, 1998
Capital losses – MWW Canada	\$ 611	\$ 611
Non-capital loss – U.S. subsidiary	\$1,439	\$1,439

17. Segmented Information

The Company is a specialty retailer of primarily men’s apparel and footwear operating in Canada and operates a single U.S. pilot store. Financial information by operating group is as follows:

	1996	1997	1998
Sales and Earnings			
Corporate and franchise sales			
MWW Canada	\$261,816	\$280,333	\$312,047
Work World Canada	—	22,172	88,497
MWW United States	846	1,410	1,797
Inter Group	(87)	(159)	(134)
	\$262,575	\$303,756	\$402,207
Earnings (loss) before income taxes			
MWW Canada	\$ 6,799	\$ 8,697	\$ 14,148
Work World Canada	—	506	(524)
MWW United States	(425)	(893)	(1,220)
	\$ 6,374	\$ 8,310	\$ 12,404
Cash Flow relating to capital items			
Capital Expenditures			
MWW Canada	\$ (7,084)	\$ (5,885)	\$ (11,194)
Work World Canada	—	(13)	(180)
MWW United States	(522)	(25)	(4)
	\$ (7,606)	\$ (5,923)	\$ (11,378)
Depreciation and Amortization (front-line and back-line)			
MWW Canada	\$ 3,048	\$ 4,242	\$ 6,842
Work World Canada	—	10	84
MWW United States	64	171	169
	\$ 3,112	\$ 4,423	\$ 7,095
Financial Position			
Total assets			
MWW Canada	\$ 69,208	\$ 91,132	\$103,878
Work World Canada	—	1,967	3,627
MWW United States	1,849	1,571	1,411
Inter Group	—	(1,524)	(5,390)
	\$ 71,057	\$ 93,146	\$103,526

18. Subsequent Events

On April 3, 1998, Walden and Lambo exchanged their shares in MWW Inc. for 999,337 shares of the Company. The issuance of these shares does not create any dilution as the Company has been treating them as outstanding since January 18, 1995. See Note 11.

19. Selected Quarterly Financial Information (Unaudited)

	First	Second	Third	Fourth	Total
53 weeks ended January 31, 1998					
Corporate store sales	\$39,332	\$47,270	\$63,019	\$102,395	\$ 252,016
Gross margin percentage	41.3%	38.3%	42.0%	40.3%	40.5%
Earnings (loss) before income taxes	\$(2,433)	\$(2,004)	\$ 1,681	\$ 15,160	\$ 12,404
Net earnings (loss) per common share	(6)¢	(4)¢	3¢	31¢	24¢
Corporate stores at end of quarter	110	111	115	118	118
52 weeks ended January 25, 1997					
Corporate store sales	\$35,932	\$41,915	\$51,683	\$ 91,372	\$220,902
Gross margin percentage	38.0%	36.3%	38.2%	38.7%	38.0%
Earnings (loss) before income taxes	\$(2,156)	\$(2,230)	\$ 303	\$ 12,393	\$ 8,310
Net earnings (loss) per common share	(6)¢	(5)¢	0¢	27¢	16¢
Corporate stores at end of quarter	107	106	107	108	108
52 weeks ended January 27, 1996					
Corporate store sales	\$32,617	\$37,794	\$46,321	\$ 81,530	\$198,262
Gross margin percentage	38.2%	36.4%	37.2%	36.8%	37.1%
Earnings (loss) before income taxes	\$(1,268)	\$(1,742)	\$ 169	\$ 9,215	\$ 6,374
Net earnings (loss) per common share	(3)¢	(4)¢	0¢	20¢	13¢
Corporate stores at end of quarter	95	97	101	103	103

Glossary of Terms

The following glossary defines terms used throughout this Report.

Back-line Expenses All expenses associated with supporting stores but not directly related to face-to-face customer contact. These expenses include non-store personnel and administrative expenses.

Base Rent Rent payable to the landlord prior to paying for Common Area Maintenance (CAM) and paying for property taxes.

Blend The percentage that results by dividing the sales of a category by the total Company corporate store sales.

Business Objective A measurable target set for each employee upon which job evaluation and bonuses are based.

CAM The Common Area Maintenance cost component of the total rent payable to a landlord.

CAMM The Canadian Apparel Market Monitor. This organization provides statistical data on the Canadian apparel market. MWW subscribes to the service.

Capital Expenditures All costs recognized as a portion of long-term assets. These costs relate to the purchase of leasehold improvements, furniture, fixtures, equipment and capital lease purchases.

Captive Label Labels owned by MWW or Work World but not associated with the name of the store. These include WindRiver, Denver Hayes, Dakota, etc.

College of Retail Excellence The College of Retail Excellence is made up of internal training programs and external courses that help the Company's employees develop new skills and talents to enable them to reach their potential, contribute at their maximum levels and, meet the changing needs and expectations of the Company's customers.

Commodity Business Basic staple businesses where changes in product styles occur infrequently (i.e. men's work pants).

Conservative Forecast The lower end of the Company's published forecast range as depicted on page 23, and based upon the assumptions on page 22.

Destination Store A store that is large enough and dominant enough in its retail location to draw its own customer traffic and is not dependent upon its neighbors. A destination store is typically free-standing, but can be located in a strip mall or power centre.

E.B.I.T. Earnings before interest and income taxes.

E.B.I.T.D. Earnings before interest, income taxes and depreciation. More specifically, sales revenues available after all merchandise costs, front-line and back-line expenses except for interest, depreciation and income taxes are subtracted, and the franchise royalties and other are added.

FMMI International This organization provides statistical data on the Canadian footwear market. MWW subscribes to the service.

Franchise Operations MWW franchise operating results consist of franchise royalties, initial franchise fees and other sundry income from franchisees minus bad debt provisions on franchise receivables. In addition, deducted from that amount is an estimate of the franchise operation's share of selected back-line expenses based on MWW franchise sales as a percent of total MWW sales applied to those selected back-line costs and the front-line cost of two district managers. With respect to Work World, franchise operations, the definition is the same except that no allocation of back-line and front-line expenses is required at this time, as all costs related to the franchise operations of Work World are specifically identifiable.

Front-line Contribution Sales revenues available after all merchandise costs and front-line expenses are subtracted.

Front-line Expenses Expenses incurred from having direct contact with customers, including store personnel, advertising, occupancy, store variable and store other expenses.

Funded Debt The aggregate of all interest-bearing contracted debt on the Company's balance sheet (currently bank indebtedness, capital lease debt, bank term debt and subordinated debt until February 3, 1997).

Gross Margin Sales revenues available after all merchandise costs.

Gross Margin Return on Investment (GPROI) A financial ratio comparing the Company's gross margin dollars to the Company's average inventory at cost. This ratio provides an indication of the Company's inventory efficiency.

Gross Margin Return on Space A financial ratio comparing the Company's gross margin dollars to the Company's average sq. ft. of selling. This ratio provides an indication of the Company's space efficiency.

Inventory Turnover A measure of the level of investment in merchandise inventories, calculated by averaging merchandise inventories at retail on hand at the start of the period and at each month end during the period, and dividing that amount into the sales for the period.

Key Results One to three challenging, measurable targets set by individuals and which cause hearts to race and palms to sweat.

L'Équipeur MWW's store name within the province of Quebec, Canada.

Macro A term used to describe "big picture" or "global" factors.

MWW Mark's Work Wearhouse and L'Équipeur operations excluding Work World.

Net Front-line Contribution Sales revenues available after all merchandise costs and front-line expenses are subtracted and the franchise royalties and other are added.

Occupancy Base rent plus Common Area Maintenance (CAM) plus property taxes plus business taxes and licenses.

On Concept Store A MWW store that: is 8,000 to 15,000 sq. ft. in size; is a Destination Store; occupies a dominant position in its retail location (preferably free-standing but can be in a strip mall or power centre); has good parking, signing and access; has properly implemented all store anchors; and, leasehold improvements, fixtures, lighting and cleanliness meet current corporate standards.

Optimistic Forecast The upper end of the Company's published forecast range as depicted on page 23, and based upon the assumptions on page 22.

Performance Contract A single page document signed by an employee and Management that contains the individual's Business Objective and Key Results.

Private Label A label that uses the store's name, e.g., MWW jeans, which brings an instant association between product and store.

Purchase Markup The difference between the selling price and landed cost of an item purchased for resale in the Company's stores.

Rent, Computer Services and Interest on Long-Term Debt Coverage A financial ratio comparing the Company's fixed commitments under lease, and long-term agreements and interest-bearing contracted debt obligations to the earnings available to meet them. This ratio is intended to provide a better measure of the inherent risk in the business than is provided by the total liabilities-to-equity ratio, due to the large rent component in a retail company's risk profile and due to the fact that the Company's computer services were outsourced from February 1, 1994, to March 31, 1997.

Rolling Average Funded Debt-to-Equity Ratio A financial ratio comparing the Company's average funded debt over the most recent 12 months to the Company's average equity over the same 12 months.

Sales and Product Managers The people who provide excellent and incomparable service to our customers while managing replenishment and presentation of a variety of products carried in our stores.

Sales Per Resident Our measure of market penetration calculated by dividing sales from MWW corporate and franchise stores within a region by the population of that region. Sales from Work World franchise and corporate stores were also used in the "total" calculation commencing in fiscal 1998.

Same Store Sales Increase A calculation of sales increase on a comparative basis, derived by comparing sales of two consecutive years, exclusive of all stores opened or closed within that two-year period.

Seasons The Company breaks the year down into two seasons for operating purposes: Spring – February through July; Fall – August through January.

SKU The most specific Stock Keeping Unit for our merchandise (i.e. a navy, size 34" waist, 32" leg wrinkle-resistant pant).

Strategic Plan The Company's most recent three-year Plan covering the fiscal years ending January 1999, 2000, and 2001.

Total Liabilities The aggregate of all liabilities, current and long term, on the Company's balance sheet, and including deferred gains and deferred income taxes.

Total Liabilities-to-Equity Ratio A financial ratio comparing the Company's total liabilities to Shareholders' Equity. This ratio provides creditors with some idea of the Company's ability to withstand losses without impairing the interests of creditors.

Total Sales Combined sales from MWW's corporate stores, MWW's franchise stores and since December 1, 1996, Work World's franchise stores and Work World corporate stores.

WWE or Work World Work World operations excluding Mark's Work Wearhouse.

Eleven Year Financial Review

(unaudited)

(amounts in thousands of dollars except where indicated)

	Jan 1998
Statement of Earnings	
Total sales	402,207
MWW franchise store retail sales	62,696
WWE franchise store retail sales*	87,495
MWW corporate store retail sales	251,014
Work World corporate store retail sales*	1,002
Gross Margin	102,093
Percent	40.51%
Operating expenses	87,866
Interest expense	2,332
Franchise royalties and other	7,604
Depreciation and amortization	7,095
Operating earnings (loss) before taxes	12,404
Earnings (loss) from discontinued operations	0
Income taxes (recovery)	5,853
Net earnings (loss)	6,551
Statement of Cash Flows	
Funds flow (deficiency) from operations	13,797
Change in non-cash working capital	(20,085)
Investing	(12,033)
Financing	6,921
Net cash generated (deployed)	(11,400)
Financial Position	
Current assets	75,810
Current liabilities	41,059
Working capital	34,751
Capital assets (net)	20,072
Total assets	103,526
Long-term debt	13,414
Shareholders' equity	46,746
Average capital employed	57,858
Share Data (per common share data in dollars)	
Weighted average number of shares outstanding (000's)	27,058
Earnings (loss) per common share	0.24
Funds flow (deficiency) from operations per common share	0.51
Price/Earnings ratio (year end)	15.42
Book value per common share (year end)	1.71
Market value — high	4.45
— low	1.95
— year end	3.70
Dividends declared	0
Financial Ratios	
Return on average shareholders' equity	15.7%
Return on average capital employed	25.5%
Current ratio	1.85
Total liabilities to equity ratio	1.21
Rent, computer services and interest on long-term debt coverage	1.64
Statistics	
MWW same store sales increase (decrease)	8.3%
MWW inventory turnover	2.2
MWW retail square feet (at year end)	1,032,594
MWW sales per square foot	253
Number of MWW corporate stores end of period	115
Number of WWE corporate stores end of period*	3
Number of MWW franchise stores end of period	31
Number of WWE franchise stores end of period*	139
MWW total staff end of period	2,052

* MWW acquired WWE effective December 1, 1996.

Jan 1997	Jan 1996	Jan 1995	Jan 1994	Jan 1993	Jan 1992	Jan 1991	Jan 1990	Jan 1989	Jan 1988
303,756	262,575	247,768	220,055	190,082	185,694	234,190	214,540	175,212	146,990
60,682	64,313	66,143	61,989	56,629	52,952	55,872	41,904	22,433	10,907
22,172	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
220,902	198,262	181,625	158,066	133,453	132,742	178,318	172,636	152,779	136,083
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
83,969	73,481	66,853	58,067	48,390	46,783	55,725	64,064	56,383	52,959
38.01%	37.06%	36.81%	36.74%	36.26%	35.24%	31.25%	37.11%	36.90%	38.92%
74,368	66,589	61,134	55,126	49,449	50,818	63,663	55,199	49,179	46,617
1,849	1,672	1,139	2,186	2,130	2,354	3,310	1,709	2,093	1,534
4,981	4,266	4,299	4,071	3,473	3,438	3,619	2,676	1,415	681
4,423	3,112	2,364	3,560	3,030	3,805	3,112	2,335	2,325	1,558
8,310	6,374	6,515	1,266	(2,746)	(6,756)	(10,741)	7,497	4,201	3,931
0	0	0	0	0	(2,564)	128	(44)	(436)	(442)
4,387	3,257	200	0	0	(561)	(4,259)	3,119	1,610	1,928
3,923	3,117	6,315	1,266	(2,746)	(8,759)	(6,354)	4,334	2,155	1,561
8,389	6,936	8,354	6,478	313	(1,157)	(2,894)	6,847	4,690	3,703
5,474	(5,253)	(3,960)	192	(7,835)	(14,809)	14,297	(3,460)	5,146	(1,787)
(12,766)	(8,444)	(4,609)	(342)	(2,234)	1,935	(8,167)	(3,105)	(2,623)	(4,418)
10,567	1,438	1,862	(3,507)	13,474	(6,615)	3,840	313	(52)	751
11,664	(5,323)	1,647	2,821	3,718	(20,646)	7,076	595	7,161	(1,751)
70,377	57,101	56,074	50,173	38,195	44,387	51,268	55,663	39,974	38,943
42,154	32,769	31,217	30,923	23,325	39,991	44,488	41,851	29,067	29,587
28,223	24,332	24,857	19,250	14,870	4,396	6,780	13,812	10,907	9,356
14,608	11,853	7,439	5,590	8,909	8,955	12,306	9,268	8,427	9,278
93,146	71,057	64,541	56,395	47,635	54,528	72,465	72,958	55,945	54,566
11,952	4,025	3,000	3,000	8,166	3,280	8,465	5,218	4,924	5,180
36,884	32,154	28,922	20,745	15,667	10,753	19,512	25,889	21,954	19,799
43,775	34,175	27,924	24,845	20,325	22,572	31,516	30,450	27,075	24,867
24,976	24,515	23,187	22,392	15,794	9,842	9,840	9,963	9,971	9,968
0.16	0.13	0.27	0.06	(0.17)	(0.89)	(0.65)	0.44	0.22	0.16
0.34	0.28	0.36	0.29	0.02	(0.12)	(0.29)	0.69	0.47	0.37
12.31	9.62	6.30	23.33	(4.41)	(1.17)	(1.77)	5.91	5.45	7.19
1.45	1.31	1.19	0.90	0.86	1.07	1.98	2.63	2.17	1.99
2.20	1.85	1.85	1.79	1.40	1.50	2.65	2.80	1.10	1.55
1.10	1.15	1.12	0.74	0.70	0.75	0.90	1.07	0.85	1.00
1.97	1.25	1.70	1.40	0.75	1.04	1.15	2.60	1.20	1.15
0	0	0	0	0	0	0	0	0	0
11.4%	10.2%	25.4%	7.0%	(20.8%)	(57.9%)	(28.0%)	18.1%	10.3%	8.2%
23.2%	23.5%	27.4%	13.9%	(3.0%)	(30.9%)	(23.2%)	30.1%	21.6%	20.2%
1.67	1.74	1.80	1.62	1.64	1.11	1.15	1.33	1.38	1.32
1.53	1.21	1.23	1.72	2.04	4.07	2.71	1.82	1.55	1.76
1.46	1.43	1.51	1.11	0.70	0.35	0.18	1.67	1.43	1.52
4.2%	1.3%	13.7%	14.6%	3.0%	(18.3%)	(1.0%)	13.1%	5.6%	8.4%
2.3	2.1	2.4	2.4	2.3	1.4	2.5	2.9	2.8	2.7
927,972	814,977	657,775	600,028	587,881	547,685	547,983	609,317	612,841	607,824
249	268	289	268	240	242	296	285	251	244
108	103	94	91	91	86	91	104	105	106
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
33	38	42	43	45	57	53	42	30	18
150	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1,826	1,657	1,776	1,419	1,199	1,138	1,290	1,683	1,392	1,490

Corporate Governance

The following analysis uses definitions contained in the Toronto Stock Exchange Report on Corporate Governance ("Governance Guidelines"). This analysis was adopted by the Board of Directors of the Company on May 13, 1998.

Mark's Work Wearhouse Ltd. is an Alberta corporation. The Alberta Business Corporations Act makes it clear that it is the responsibility of the Board of Directors to manage the business and affairs of the Company. The Board discharges this responsibility by selecting and holding accountable management, to whom the Board delegates operations. Business and affairs, and operations are to be managed in the best interests of the shareholders towards the goal of maximizing the long-term value of the Company to shareholders.

The key governance issues facing the Company's Board relate to seeking the appropriate balance between structures and mechanisms that facilitate management's capacity to manage the business and those that facilitate appropriate stewardship by the Board. The Board recognizes the need for, and encourages management, led by the President and Chief Executive Officer, to make clear appropriate executive decisions and to be strong leaders. The need is not to rein in management but rather to equip the Board with the capacity to exercise its responsibilities, to be good critics as well as supporters and constructive skeptics. A healthy friendly tension is appropriate.

Board of Directors

■ The Board consists of nine members, seven of whom are unrelated directors and two of whom are members of management. The directors to be proposed by the Board to the shareholders for election at the June 24, 1998, Annual General Meeting are the existing directors. The Board has expressed its intent to maintain a significant proportion of independent unrelated directors.

■ As part of its responsibility for the stewardship of the Company, the Board is responsible for the approval of the Strategic Plan. At Mark's Work Wearhouse, this is accomplished by the Board reviewing and approving management-developed strategic planning methodology and the Strategic Plan. The Board delegates to management the responsibility for tabling with the Board, for discussion purposes, a draft Strategic Plan.

The Board's input is incorporated by management and, following an iterative process, the Strategic Plan is adopted by the Board at a subsequent meeting thereof. The Board uses the Strategic Plan as a tool to measure the Company's progress over time.

■ The principle risks of the Company's business are outlined under the "Management's Discussion and Analysis of Risk and Uncertainties". The Board as a whole and the Audit Committee of the Board in particular review these risks, set policy, when appropriate, for the management of these risks and receive reports from the Company's management on how these risks are being assessed and managed.

■ The Board takes responsibility for appointing and monitoring senior management. As part of the human resources component of the Board meeting, the Board regularly has senior management explain its succession plans with respect to the Company's managers and provide comments on support/backup/succession for their own positions. The Board encourages management to participate in appropriate professional and personal development activities, courses and programs, and supports management's commitment to the training and development of all permanent employees. An amount is allocated in the Company's budgets each year for these activities.

■ The Board has instructed senior management to develop a clearly articulated policy for effective two-way communications with shareholders, employees, suppliers, other stakeholders and the public in general, including the media. The Board recognizes this to be, except in rare circumstances, solely the province of management and not that of the Board. The Board believes that the quality of the Company's communication with outsiders is an element to be considered in evaluating management.

■ The Board, directly and through its Audit Committee, assesses the integrity of the Company's internal control and management information systems.

The Company does not have a "significant shareholder", defined by the Governance Guidelines as a shareholder with the ability to exercise a majority of votes for the election of directors.

No directors are related to each other. The Board has considered the relationship of each outside director to the Company and has concluded that none of the outside directors are related directors.

Committee	Mandate	Accomplishments 1995-1998
Governance Committee	<ul style="list-style-type: none"> ■ The Governance Committee consists of four outside, unrelated directors. ■ The Committee has the responsibility, among other things, to make recommendations to the Board with respect to the nominees of the Board. Nominees recommended are based on the Governance Committee's assessment of the Board and of the individual directors, reflecting the Board's expertise, and needs and being mindful of potential conflicts of interest. ■ The Committee is responsible for the continuing assessment of the Board as a whole and the Audit, Compensation and Governance Committees. ■ The Committee reports periodically on the impact of size upon the effectiveness of the Board of Directors, ensuring that the Board, brings together the right mix of skills, backgrounds, ages and attitudes as is appropriate to the stewardship of the Company. The Governance Committee reviews this issue periodically as part of its mandate. ■ The Governance Committee is responsible for developing and monitoring the Company's approach to governance issues and for responding to the Governance Guidelines. ■ The Committee is responsible for approving the engagement by individual directors of outside advisors at the expense of the Company in appropriate circumstances. Any such engagement is subject to the approval of the Governance Committee and requires senior management to be informed of any such action. 	<ul style="list-style-type: none"> ■ In its June 7, 1995, report, the Governance Committee recommended that the Compensation Committee seek a report from an outside expert on board compensation and then base director compensation on the results of the report. The Committee also strongly recommended that the Company use shares as currency, at least in part, for compensating directors. The Committee has used independent compensation studies in assessing the level of senior executive compensation. In its April 2, 1998, report to the Board, the Compensation Committee addressed senior executive evaluations, senior executive compensation and director compensation. The recommendations of the Compensation Committee, including those for director remuneration, were adopted at the Company's April 2, 1998, Board meeting and include options on Company shares as partial compensation for directors. ■ In December 1995, the Board made a decision to appoint an outside independent director as Chairman of the Board based on the position description for a non-management Chairman completed by the Governance Committee. The non-executive Chairman's responsibilities include ensuring that adequate and proper information is made available to the Board and maintaining good lines of communication between the Board, and the President and Chief Executive Officer and other members of senior management. ■ The Governance Committee completed position descriptions for the Board and the President and the Chief Executive Officer, which have been approved by the Board. These position descriptions will be reviewed regularly by the Governance Committee. ■ The Board's relationship with management has been and will continue to be open, two-way communication. The Board listens with respect to management's recommendations on issues and generally, but not always, accepts them. Management, when appropriate, brings issues of both strategic importance and tactical significance to the Board for input and direction prior to formulating recommendations. ■ The Governance Committee has recommended and the Board has approved that adequate time be allocated in the Board agenda at each of the March and October Board meetings for the outside directors to meet without management present.* ■ The Governance Committee, in its April 2, 1998, report to the Board, assessed the Board as effective in discharging its statutory and fiduciary obligations. The report also assessed the Audit, Compensation and Governance Committees as effective. ■ The Governance Committee has also considered the size of the Board with a view to the impact of size upon effectiveness and concluded in its report to the Board of April 2, 1998, that the number of directors in the range as presently constituted is appropriate for a company of the size and complexity of Mark's Work Wearhouse. ■ The Board, on the recommendation of the Governance Committee, struck a three member committee which assessed the effectiveness of each individual director. This committee found that each nominee for director ably discharges their role and responsibilities as a director and adds value to the governance of the Company. ■ At the request of the Governance Committee, the Company developed an orientation package for new Board members. An added benefit of the development of this orientation package is that a more comprehensive information package is now maintained for all Board members.
Compensation Committee	<ul style="list-style-type: none"> ■ The Compensation Committee consists of four outside, unrelated directors. ■ The Committee is responsible for conducting independent studies utilized in the preparation of recommendations concerning compensation for Company directors and senior executives. 	<ul style="list-style-type: none"> ■ In its April 2, 1998, report to the Board, the Compensation Committee addressed senior executive evaluations, senior executive compensation and director compensation. ■ The recommendations of the Compensation Committee were adopted at the Company's April 2, 1998, Board meeting and include options on Company shares as partial compensation for Directors. ■ During the past fiscal year, the Compensation Committee reviewed the performance of the President and Chief Executive Officer, and the Chief Financial Officer. ■ The Board annually approves the Business Objectives and Key Results for which the President and Chief Executive Officer is responsible and accountable. The Business Objectives and Key Results for fiscal '99 and a review of the results for fiscal '98 are published in the Annual Report.
Audit Committee	<ul style="list-style-type: none"> ■ The Audit Committee is composed of four outside, unrelated directors. ■ The Committee is responsible for assessing the integrity of the Company's internal control and management information systems. ■ The Audit Committee meets with senior management and the independent auditors twice a year to discuss and review these matters, and then reports its findings to the Board of Directors. ■ The roles and responsibilities of the Audit Committee have been specifically defined and include responsibility for overseeing management reporting on internal control and management information systems, compliance with the Company's Code of Conduct, and the normal statutory responsibilities. ■ The Audit Committee has direct communication channels with the Company's independent auditors and regularly meets with the auditors without management present. ■ The Company has no formal internal audit process at this time, a decision reviewed by the Audit Committee and with which the Audit Committee and the independent auditors concur. 	<ul style="list-style-type: none"> ■ The Audit Committee has met regularly with management and the external auditors to review the annual audited financial statements of the Company, the auditors' report thereon and the management discussion and analysis included in the Company's annual report. The Audit Committee then recommends to the Board the approval of the annual audited financial statements. ■ The Audit Committee has met regularly with the external auditors without management present. ■ The Audit Committee has reviewed a special report on internal control prepared by the external auditors in 1996 and receives regular updates from the external auditors. ■ The Audit Committee annually reviews the Information Circular and the Annual Information Form of the Company. ■ The Audit Committee meets regularly with management to discuss and approve any new accounting or finance policies including foreign currency or interest rate hedging policies. ■ The Audit Committee has reviewed annually all material provisions requiring management judgement and best estimates.

* These sessions have as agenda items at least the following: (i) evaluation of senior management; (ii) assessment of overall corporate progress and progress against the Strategic Plan; (iii) assessment of overall management capability, strength and depth; (iv) succession planning; (v) Board governance matters; and (vi) issues on the minds of outside directors. The Board has met on several occasions this past year without management present. As a matter of policy, copies of minutes of all Committee meetings, including Governance Committee meetings and Board meetings without management, are circulated to all Board members.

Art Berliner (1) (3)

Art is a founding partner of the Walden Group, an experienced international venture capital firm managing funds of near \$1.0 billion U.S. Walden made a \$1.6m investment in Mark's Work Wearhouse Inc., in January of 1995, exchangeable into shares of the Company, to fund the pilot phase of the Company's U.S. expansion. The share exchange was completed on April 3, 1998.

Art's experience as a director of private and public companies in the United States, including companies in the U.S. retail sector, provides a valuable resource for the Company.

Michael Fox (1)

Mike became the non-management Chairman of the Board in January, 1996. Currently owner of a successful business venture and in private consulting practice in Whistler, British Columbia, Mike received his Bachelor of Commerce degree at The University of Manitoba and became a member of the Institute of Chartered Accountants of British Columbia in 1970. Mr. Fox was a partner of a national accounting firm in Vancouver until February, 1981.

William Hardstaff (2) (3)

Bill, a retired businessman, is a Director of Alta Fund Investment Corp. and Tiverton Petroleums Ltd. He is a graduate of The University of Saskatchewan, with a Bachelor of Engineering degree (1950), and has also completed the Banff School of Advanced Management Program. Previously, Bill served as president of American Eagle Petroleums Ltd. and of Sultran Ltd., as well as senior vice-president of Trimac Ltd.

Michael Lambert

Chief Financial Officer of the Company, Mike joined the Company in the Spring of 1994 and was elected to the Board in June, 1995. He is a chartered accountant and has over 15 years' progressive experience in financial management of major public Canadian companies including vice-president and controller of George Weston Limited and vice-president of finance for the Southam Newspaper Group. Before entering industry, Mike obtained his C.A. designation during his four years with a major accounting firm in Toronto.

Thomas A. Leon (2)

Tom is chairman of the board of Leon's Furniture Limited. A native of Welland, Ontario, Tom occupied every position at Leon's before becoming its Chairman. He is chairman-elect of the Scarborough Centenary Hospital Foundation Board, director of the Canadian Council of Furniture Manufacturers, and holds directorships with other major Canadian corporations.

Bruce R. Libin Q.C. (1) (2) (3)

Bruce Libin is president of B.R. Libin Capital Corp., an investment, merchant banking and investment banking advisory services company. Prior to founding that company in February, 1995, Bruce was a partner with the Bennett Jones Verchere law firm. Mr. Libin is a director of several public and private corporations and community organizations.

Garth Mitchell

President & Chief Executive Officer of the Company, Garth served for four years as a line officer in the Canadian Navy after graduating from The University of Manitoba. He began his retail career with the Hudson's Bay Company in 1969, was a founding partner and president of a successful women's specialty retail business in 1976 and, in 1983, joined Comark, Inc., the Canadian division of a very large international retailing operation. While at Comark, Garth was president of their two largest Canadian divisions. He joined the Company in May, 1991; Chief Operating Officer from 1992-1995; President and Chief Operating Officer from 1995-1996; President and CEO from 1996 to present.

Wallace Murray (2)

Formerly senior vice-president with the Company (retired in 1991), Wallace has consulted for the Company on a variety of retail issues. Wallace joined Mark's Work Wearhouse in 1979 after a successful career with the Hudson's Bay Company as a divisional merchandise manager of men's and children's wear.

Jake Scudamore (1) (3)

Jake sits on the Board of Directors of White Rose Crafts and Nursery Sales Ltd. and an advisory board for George Brown College. President of Scudamore and Associates Inc., a corporate consulting company specializing in strategic planning and marketing. Jake was formerly vice-president, marketing, of The Sports Network (TSN). Under his guidance, TSN won numerous national and international awards in virtually all marketing disciplines. Jake is a recipient of the Commemorative Medal for the 125th Anniversary of Canadian Confederation.

Mark's Work Wearhouse

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Inquiries

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Toll Free Customer Service Number

1 (800) 663-6275 or 1 (800) 663-MARK

Industrial and Corporate Wear

Jim Haigh (403) 258-7790

Property Management

Doreen Busby (403) 258-7571

Store Design

Michel St. Jean (403) 258-7502

Please call if we can assist you with any of your clothing or footwear needs.

Investor Information

Shareholders with inquiries regarding share transfer requirements, lost certificates, changes of address, or the elimination of duplicate mailings should contact the Company's transfer agent, Montreal Trust in Calgary, Alberta (403) 267-6800.

Investor Relations Inquiries

Investors seeking other information about the Company may contact Karen Bentley at (403) 258-7572.

Notice of Annual Meeting

The Annual Meeting of Shareholders will be held in the Glenbow Theatre of the Calgary Convention Centre in Calgary, Alberta, on Wednesday, June 24, 1998, at 11:00 a.m.

Senior Officers

Garth Mitchell

President and Chief Executive Officer

Michael Lambert

Chief Financial Officer

Richard Harrison

Senior Vice-President, Merchandising

Paul Wilson

Senior Vice President, Sales and Marketing

John Murphy

Senior Vice-President, Treasurer and Secretary

Michel St. Jean

Vice-President, Store Design

Linda Mathiesen

Vice-President, Human Resources and Customer Service

Robin Lynas

Vice President, Systems

Jim Killin

General Manager, Québec/Atlantic

Michael Strachan

General Manager, Ontario

Dale Trybuch

General Manager, Western Canada

Colin Laker

General Manager, Work World Division

Bank

Canadian Imperial Bank of Commerce, Calgary

Legal Counsel

Bennett Jones Verchere Barristers and Solicitors, Calgary

Auditors

Price Waterhouse Chartered Accountants, Calgary

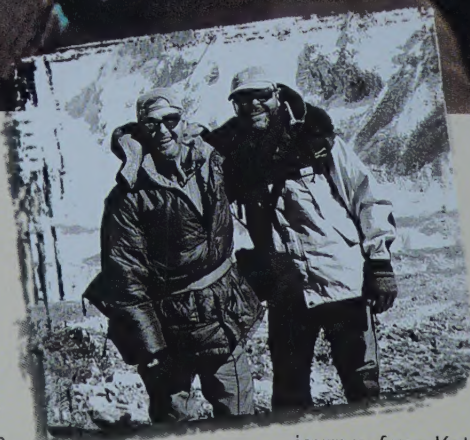
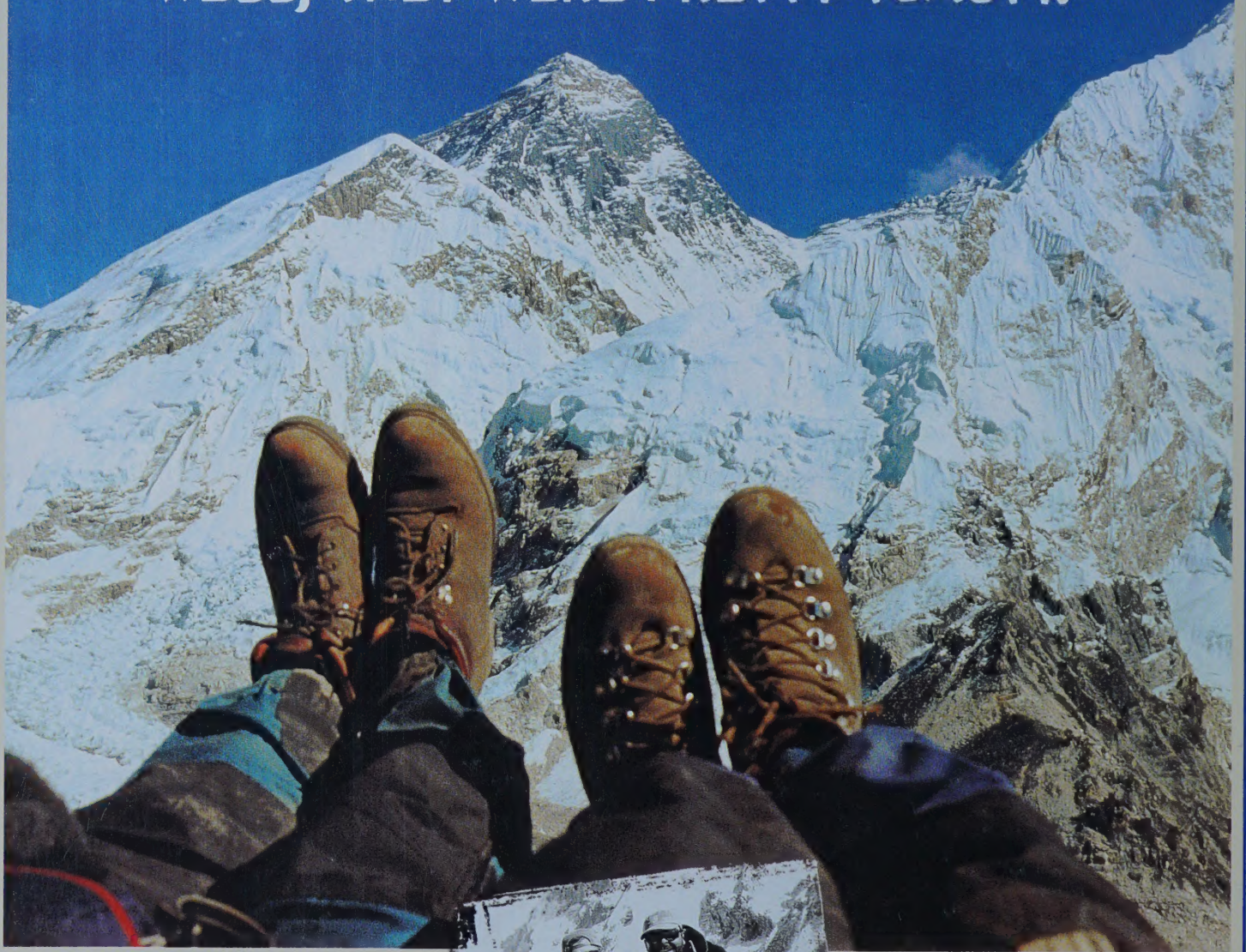
Transfer Agent

Montreal Trust Company of Canada, Calgary

Toronto Stock Exchange

Trading symbol – MWW or Mark Wrk

"LUNGS GASPED IN THE 19,200 FT AIR,
FACES FROZE IN THE -30° WIND, AND FEET,
WELL, THEY WERE PRETTY TOASTY."



Stories don't get much more adventurous, or true, than this one. Brock Bundy, a senior manager of investment banking in Toronto, and his climbing partner, Peter Lood, had both purchased hiking boots from Mark's for their planned ascent of Mount Kala Patar in Nepal. The irony is that the two friends independently bought their hikers without each other's knowing, even after comparison shopping at climbing and outdoor stores.

The boots kept their feet so warm, dry and comfortable on their rugged 300 km journey from Katmandu to the Mount Everest base camp and the 19,200 ft summit, that they referred to them endearingly as "The Lads." Brock and Peter are already planning their next climb in the Himalayas and assure us that the "Lads" will be making the trip with them.

**Mark's Work
Wearhouse**
Clothes That Work.